

One Vision, One Goal, One Team, **One Nation.**

BENEFIT

Annual Report 2018

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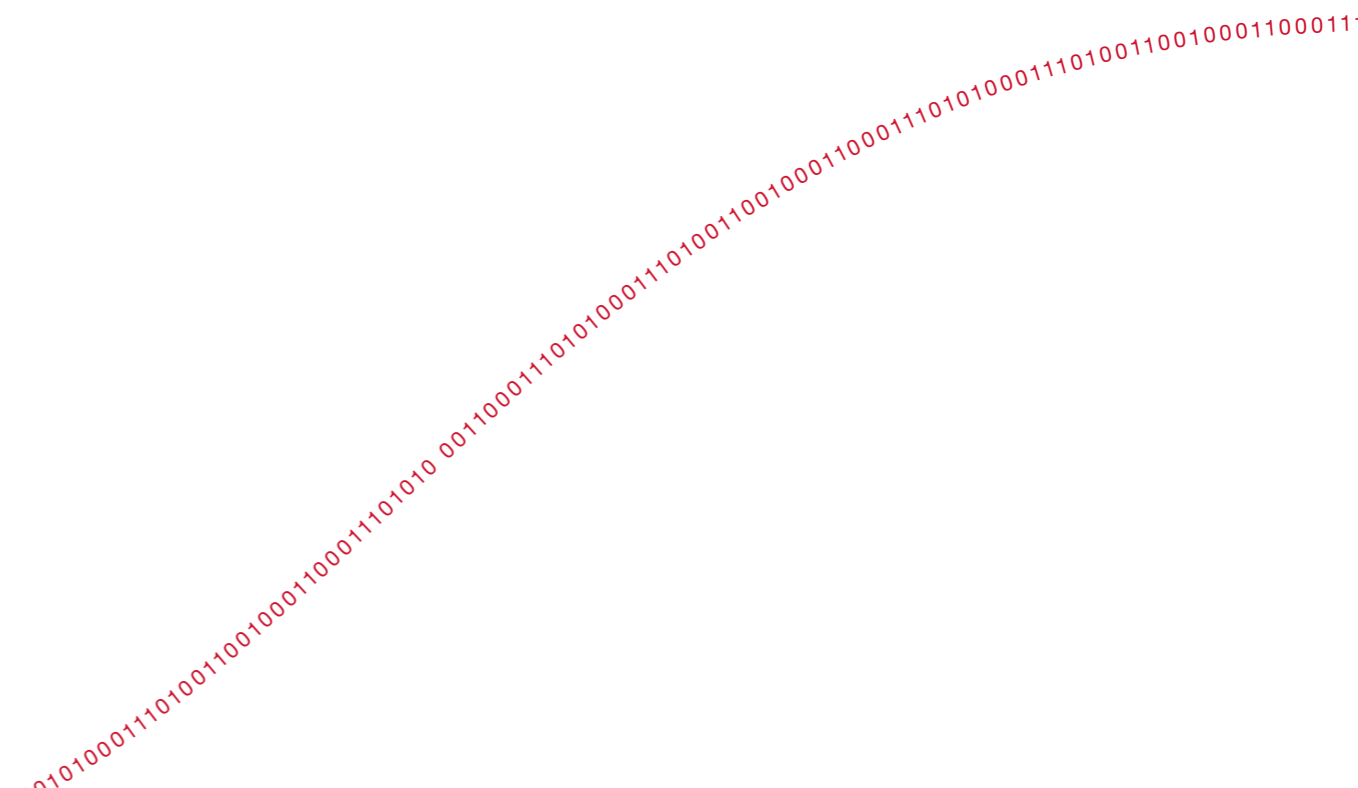
His Royal Highness
Prince Khalifa bin
Salman Al Khalifa
Prime Minister



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



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



Introduction

One Vision, One Goal, One Team, One Nation

One. Everything begins with one. It is the starting point. The beginning. It sets the pace, and puts in motion the forces that need to be unleashed. Unresting. Unyielding. The power of one is what provides the foundation for developments that stand the test of time and the springboard for growth.

One. Not just a number but a thought that expresses something unique that cannot be replaced. Or describes the forcefulness of being single minded about an idea that can have far-reaching impact.

The BENEFIT Company is one such organization whose influence continues to grow since inception in 1997. It remains committed to its vision of being an agent of digital transformation; to the goal of positioning Bahrain as a leader in digital economy; to the team that works towards providing services; and to see Bahrain succeed as a banking and business destination.



Vission, mission and profile

Our vision

To be a leader in Electronic Payments, Fund Transfer, 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 over two decades of value added services that have played a critical role in shaping Bahrain's business friendly credentials and as an acknowledged economic powerhouse. It was formed with strong values that have enabled the organisation to support not just the banking and financial services sector but also the government, the corporate world and the general public in delivering reliable fintech products and services.

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 a provider of one of the most sophisticated tools for all electronic financial transactions throughout the kingdom, BENEFIT's road to success has been paved by a combination of skilled workforce, cutting edge technology, focused strategic planning and initiatives, and a determination to provide the most advanced 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), Electronic Fund Transfer System(EFTS), Telecom Bill Payment (Tele BP), Payment Gateway (PG), Bahrain Cheque Truncation System (BCTS), , and BenefitPay as a national e-wallet across Bahrain.

BENEFIT remains committed to strengthen Bahrain's position as the financial hub of the region. Hence, the company 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 story is the quality of its workforce that have enabled the company to be at the leading edge of all fintech initiatives in Bahrain and beyond. BENEFIT recognises the importance of investing in its employees and helping them to be professional achievers.

Also, the support given to gender equality, women empowerment and Bahrainisation have enabled skilled and talented Bahrainis to reach and exceed their potential while contributing to the company's growth trajectory. Today, as an employer of choice for many young Bahrainis, BENEFIT provides an equal platform for both men and women to ascend the career ladder and women employees, in particular, are keenly involved in leadership, management and decision making capacities.

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

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

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



←
To visit our website and learn more about us and the services we provide, simply scan the QR code.



One vision

BENEFIT provides the tools to transform digitization into solutions that work, and technologies that impact the industry.



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

Chairman's Message

For the past twenty one years, the BENEFIT Company has played a vital role in bolstering the service capabilities of the banking and financial sector, simplifying the payment processes for individuals and businesses, and contributing to Bahrain's evolution as a business friendly destination.

← Mohamed Ebrahim Al Bastaki, Chairman

For the BENEFIT Company, 2018 was a year of profound structural changes. However, despite the many new developments taking place, we as an organisation maintained a sharp and steady focus on delivering results to our various stakeholders as well as providing a springboard for growth.

For the past twenty one years, the BENEFIT Company has played a vital role in bolstering the service capabilities of the banking and financial sector, simplifying the payment processes for individuals and businesses, and contributing to Bahrain's evolution as a business friendly destination.

Today, the company provides a powerful platform for actualising the goal of ushering a digital economy across Bahrain, and has helped in the development of a variety of fintech products and services.

Together, all these factors have one thing in common a commitment to Bahrain's Vision 2030, and ensuring that its guiding principles of sustainability, competitiveness and fairness are echoed in the strategic direction of our operations.

As a company we believe that a combination of right people, right technology and right resources provide the essential ingredients to help achieve the goals enshrined in Vision 2030.

In other words, it takes the combined efforts of each and every stakeholder to work together as valued contributors to nation building, and forge a strong partnership towards capitalising on the gains Bahrain has made over the years. This is what #TeamBahrain is all about. This is also what BENEFIT as a company stands for, and forms the bedrock upon which Vision 2030 will turn into reality.

Another step to give a tangible shape to #TeamBahrain through our organisation was the decision to induct new members into the Board of Directors and Senior Management. The Central Bank of Bahrain was keen on having more diversified and expert independents on the Board so that their presence would bring freshness and vitality as well as energise the decision making processes.

The major changes to the composition of the Board of Directors had an impact on the launch of the new Three Year Strategic Direction. We have currently hired a consultant to help develop a new strategy for the company, and this will be developed in cooperation with the Board of Directors and the Senior Management.

While the new strategy will take the next three years into consideration but it will remain focused on the broader picture of maintaining our strengths as a key provider of value added services to the banking and financial institutions, enhance our contribution to the growth of the digital economy, and remain a powerful tool for all fintech initiatives.

What we do need to realise is that organisations such as BENEFIT are essentially enablers to the industry, and exist primarily to develop the technological infrastructure and logistical framework so that their clients in the banking and financial sector can focus on their core competencies and not worry about matters outside their area of professional expertise.

This is why, we recognise that the BENEFIT Company requires an entirely different paradigm to define its operations, and cannot simply focus on return on investments while formulating business decisions.

We need to be more proactive in foreseeing what banks and other financial institutions require. We need to be one step ahead in recognising trends, sensing potential risks and challenges, and seeing how best the payment mechanisms can be enhanced and made more efficient.

The other angle is to see how our operations serve to meet Bahrain's strategic interests, and further strengthen the kingdom's credentials not only as the Middle East's financial hub but also as one of the region's most attractive destinations for conducting business.

Today, BENEFIT's reach goes beyond the banking and financial sector but also includes members of the private and public sector as well. This diversity of customer profile has helped in bringing an attitudinal shift within the organisation as we no longer see ourselves as the arm of the banking industry but as a channel for actualising digital economy in Bahrain.

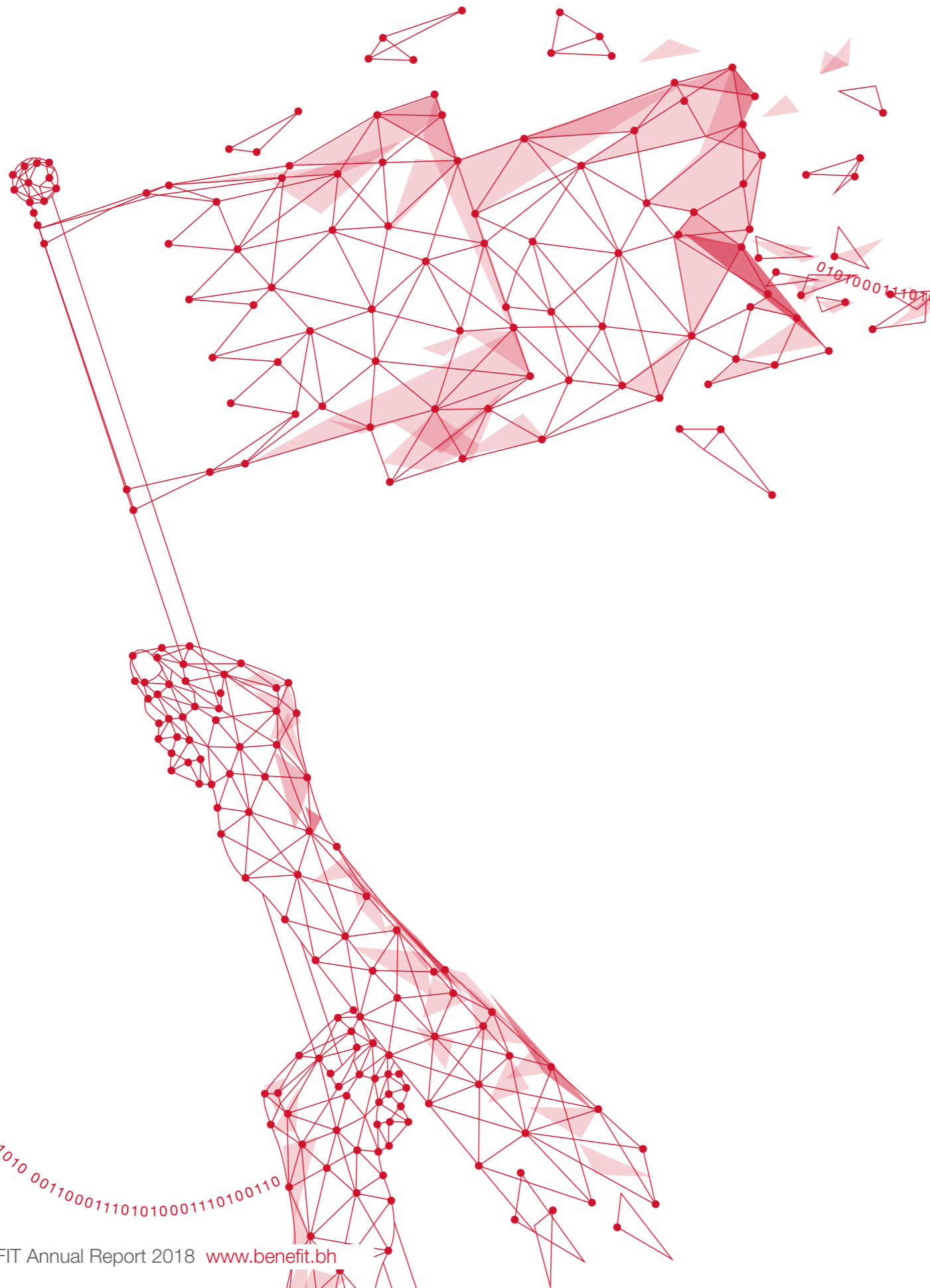
We are pleased with the continuing success of our subsidiary Sinnad as it expands to newer territories in Africa and the Middle East while delivering banks with reliable and efficient cards issuing, ATM and merchant acquiring complete solutions from systems outsourcing to full operations.

I am honored to be asked to join the Board of Directors at this crucial period in BENEFIT's history. We do know that there are numerous challenges before us but am also aware that we have a great team and together we can turn those challenges into opportunities to succeed.

We would also like to thank the Central Bank of Bahrain for their support as well as each and every member banks and clients for their trust. We appreciate the encouragement of our shareholders and the support of our employees.

We are certain the gains achieved in 2018 will pave the way to a more robust and prosperous 2019.

Mohamed Ebrahim Al Bastaki
Chairman



One goal

BENEFIT remains committed to position the Kingdom of Bahrain as a leader in digital economy, and continue to strengthen its credentials as a financial hub of the Middle East



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

CEO Statement

The BENEFIT Company has remained a true champion for Bahrain's credentials as the regional financial hub as well as a true advocate for its position as a business friendly destination.

← Abdulwahed AlJanahi, Chief Executive Officer

We are pleased to report that we remain on course to meet our strategic objectives of being at the vanguard of accelerating the digital economy revolution in the Kingdom of Bahrain and beyond.

The building blocks for this grand project were actually laid at the time of the BENEFIT Company's formation nearly twenty years ago. From the start, a cogent fintech strategy was put in place to help add value to diverse financial transactions while bolstering the three pillars that have shaped the company's operations: a) connecting financial transactions, b) customer information depository, and c) business outsourcing.

The BENEFIT Company has remained a true champion for Bahrain's credentials as the regional financial hub as well as a true advocate for its position as a business friendly destination.

Today, the story continues with a more robust approach in formulating a customercentric and value driven portfolio of products, processes and services that are focused on delivering results for both shareholders, customers and the wider community in which we operate.

At the heart of these initiatives is the drive to be a transforming force that would further expand on our core strengths, invigorate the passion for innovation, and consolidate some of the gains that were made through some of the new steps introduced in the last financial year.

2018 signified a new horizon in customer engagement as the company moved beyond banking and financial institutions, and embraced the public and private sector as well as governmental ministries in delivering relevant products and services.

The decision to include both financial and nonfinancial institutions has been prompted by proactive moves towards enabling a more cashless society across Bahrain. In 2018, a variety of steps were taken to provide a more tangible shape to achieve this goal.

The most prominent amongst these steps was the launch of the second stage of National E-Wallet or BenefitPay. Earlier it included just the debit card functionalities but now encompasses money transfers such as Fawri, Fawri+ and Fawateer.

The idea was to enhance efficiency, speed and convenience for the individual user, and enrich the mobile experience by turning the mobile device into an office, a bank or as a hub for money transfer. The results speak for themselves as the launch of the second stage witnessed a huge jump in usage from the previous year!

One key development was the setting up of the BENEFIT Fintech Lab. The office provides a platform to develop innovative ideas and proof of concepts that could be introduced at a later stage. Some of the ideas have included facial recognition, web chat, cashless retail and others.

We also introduced Stock Clearing and Payment for brokers working at the Bahrain Bourse. This service was designed to automate and simplify the payment process that would increase the efficiency of the entire operation and make cash settlement much easier for both the trader and the broker.

E-KYC application has been newly launched to provide a digital and cost effective alternative to the current Know Your Customer process available at most of the banks. Designed to improve customer satisfaction, E-KYC makes the entire process faster and more efficient.

E-Cheque is another application that has been designed to enhance simplicity and convenience to customers as it offers the possibility of issuing and signing cheques digitally since they are stored electronically.

The Wage Protection System (WPS) in partnership with the LMRA and developed in coordination with the Central Bank of Bahrain was finalised last year but due to regulatory requirements it is expected to be launched in 2019. This service has been designed to help bring greater transparency to the payment of salaries and wages to laborers by eliminating actual cash transfers and instead salaries stated in the contract will be transferred directly to the banks.

Some of the additional products and services that we had been working on have been the development of contactless platforms for ease of payment and smooth cash transactions. The National Tokenisation Vault on the other hand serves as a useful tool for both banks and customers in making information easily available and make the banking process smoother and more efficient.

One of the key incentives behind the launching of these diverse initiatives has been to strengthen Bahrain's capabilities in developing powerful digital economy tools, and thereby serving as a more business, customer and investor friendly destination. This is just one facet of our support to the ideas enshrined in #TeamBahrain.

As a company committed to seeing Bahrain prosper, we believe that it is crucial to defend the values Bahrain stands for, and play our role in the cause of nation building along with other government and business leaders.

Our Bahrainisation records have remained consistently high, and the company serves as a magnet for talented Bahraini professionals who have proved to be globally competitive with their skill sets, professionalism and knowledge quotient.

Our Bahraini team has played a major role in boosting the fintech sector throughout the Kingdom. Whether it was this year or in the years before, our team has worked tirelessly in giving tangible shape to innovative ideas that are central towards making fintech an important component of all financial transactions.

↑ **x3**

Year strategy now in place after a successful previous three years

↑ **94%**

Of our employees are Bahraini nationals

We have also established new divisions, namely marketing and innovation. It was the latter, however, that occupied major focus on our part due to the enormous speed with which technological changes have been occurring in the industry. The division is expected to be responsive to these trends and come up with innovative ideas and solutions that would help in positioning the company at the cutting edge of today's technology.

Side by side with these developments has been the opening of a new department focused on risk and information security. It will be geared to protect data security and ensure that safety is at the heart of all fintech services.

In terms of the financial results, I am pleased to say that 2018 has proved to be successful in delivering tangible results. However, there was reduced growth unlike the last financial year due to enhancement of infrastructure and technologies as well as recruitment of key personnel in line with the company's strategic goals.

Growth rate was -21% per cent compared to 16% per cent in 2017. Income for the year was BD 3,425,743 (US\$ 9,086,851) and revenue was BD 9,859,850 (US\$ 26,153,448).

BENEFIT remains focused on bringing fresh changes to its portfolio of products and services, and are confident of the support of our skilled workforce in turning these goals into reality. We truly appreciate their hard work in raising Benefit's profile as a trusted name in the fintech industry.

I would like to express my gratitude to the Chairman and the Board of Directors for their continued assistance in raising BENEFIT's profile across Bahrain and the region. We are thankful for their help in shaping the successes we experienced throughout 2018. My appreciation also extends to each of our shareholders and stakeholders in the Central Bank of Bahrain for their support always.

Abdulwahed AlJanahi
Chief Executive Officer



↑
Scan the QR to view the
CEO Video



One team

As a member of #TeamBahrain, BENEFIT works alongside its stakeholders and shareholders in developing and nurturing a growth focused economy, and in positioning the Kingdom of Bahrain as an attractive destination for both investors and consumers.



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

Board of Directors

1. **Mohamed Ebrahim Al Bastaki**
Chairman
2. **Ahmed Abdulrahim**
Vice-Chairman
3. **Tala Abdulrahman Fakhro**
Non-Executive Director
4. **Dr. Adel Abdulla Salem**
Executive Director
5. **Gurumurthy Jayaraman**
Executive Director
6. **Khalid Abi Khalil**
Executive Director
7. **Abdulrazaq Abdulkhaleq**
Non-Executive Director
8. **Matthew John Deakin**
Independent Director
9. **Abdulla Essam Fakhro**
Independent Director
10. **Hadyah Mohammed Fathalla**
Independent Director
11. **Yousif Rashid Al Fadhel**
Central Bank of Bahrain Observer



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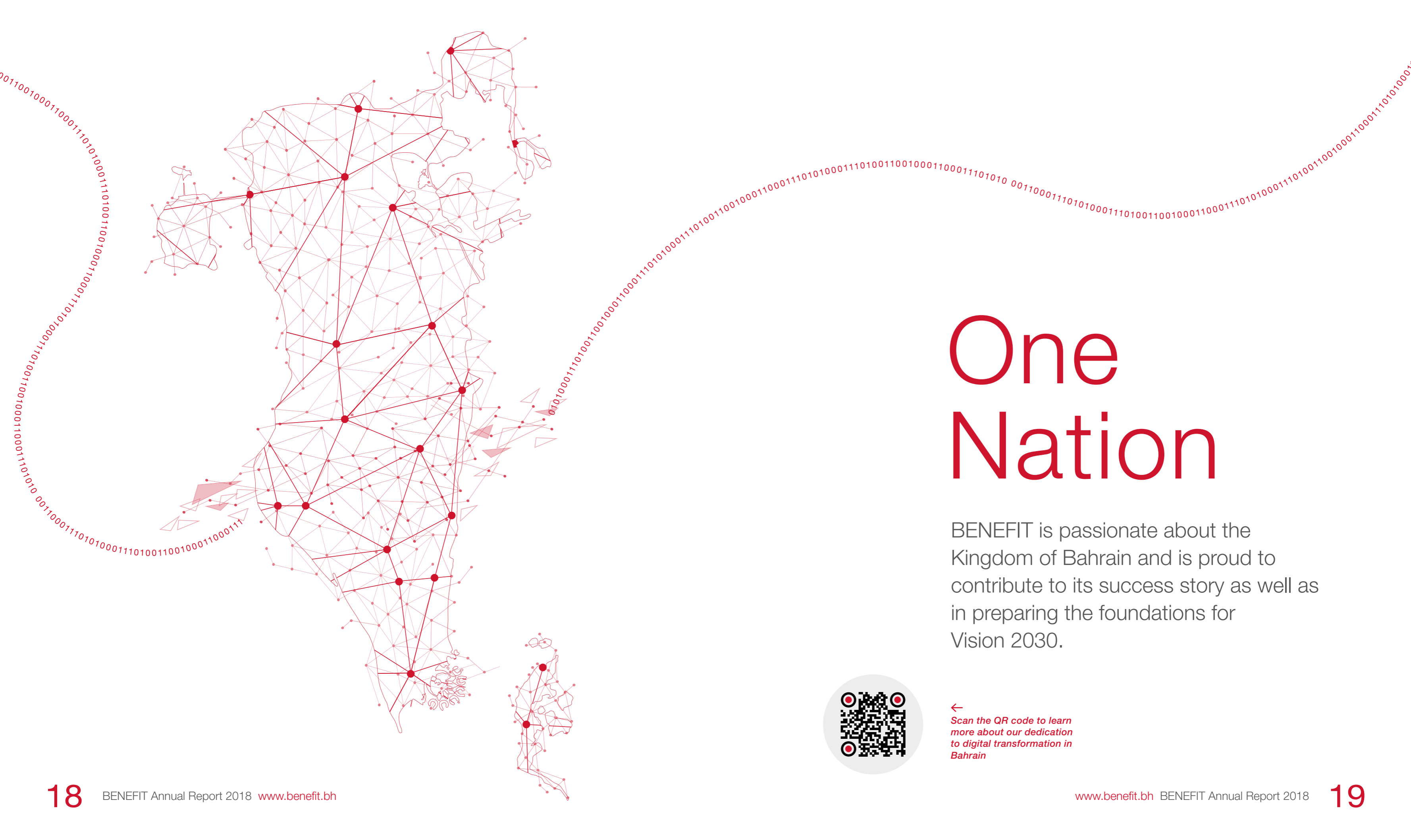
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11



One Nation

BENEFIT is passionate about the Kingdom of Bahrain and is proud to contribute to its success story as well as in preparing the foundations for Vision 2030.



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

Products and Services

Our Services:

- Automated Teller Machine (ATM)
- Point of Sale (POS)
- Bahrain Credit Reference Bureau (BCRB)
- Bahrain Cheque Truncating System (BCTS)
- Fawri+ (Electronic Fund Transfer System - EFTS)
- Fawri (Electronic Fund Transfer System - EFTS)
- Fawateer (Electronic Fund Transfer System - EFTS)
- BenefitPay
- Payment Gateway
- Tele Bill Payment
- GCC Net
- GCCNet Dispute Management System
- GCC Net POS

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.

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.

BENEFIT Fintech Lab

As a founding partner to Bahrain Fintech Bay (BFB), the BENEFIT Company aims to support the national directives to transform Bahrain into a regional fintech hub. At BENEFIT, we support not only the banking and financial sector but also the government, SMEs and other private sector entities.

BENEFIT strives to create synergy in financial services through facilitating fintech and establishing strong alliances with different stakeholders. With these strategic aims in mind, BENEFIT has given a practical direction towards setting up of the Fintech lab.

BENEFIT's Fintech Lab is a major milestone for the company in its goal towards creating a Fintech enabling environment and building a culture of R&D. This Lab aims to strengthen Bahrain's international position in the field of innovation and Fintech in particular as per international indices. The Lab will act as an idea generator, driver of innovation in financial services and a platform that will link university students with SMEs and other interested entities. It will test and exhibit new concepts; and will be connected to other international Fintech hubs.

Vision

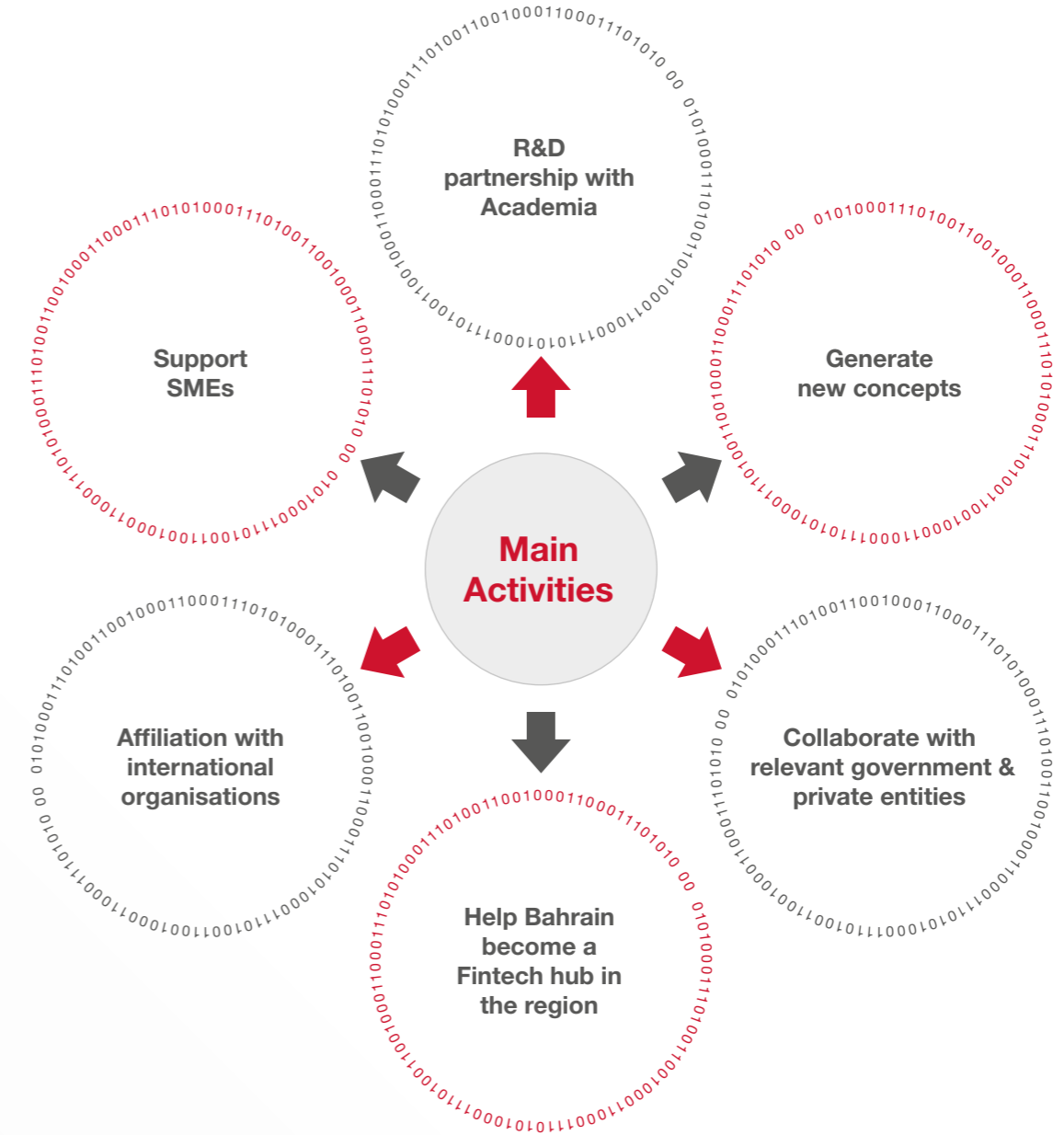
To modernise and boost Bahrain's position in the financial sector by promoting Fintech.

Mission

To offer mutually beneficial efforts and partnerships with all relevant stakeholders in Bahrain and abroad that will enable establishing a solid financial sector, pioneer Fintech players backed by qualified national calibre and ultimately position Bahrain as a regional Fintech hub.

Objectives

- Generate new Fintech related concepts.
- Provide innovative and efficient solutions to the government, the financial sector and SMEs for users' convenience.
- Collaborate with relevant stakeholders to strengthen the Fintech field in Bahrain.



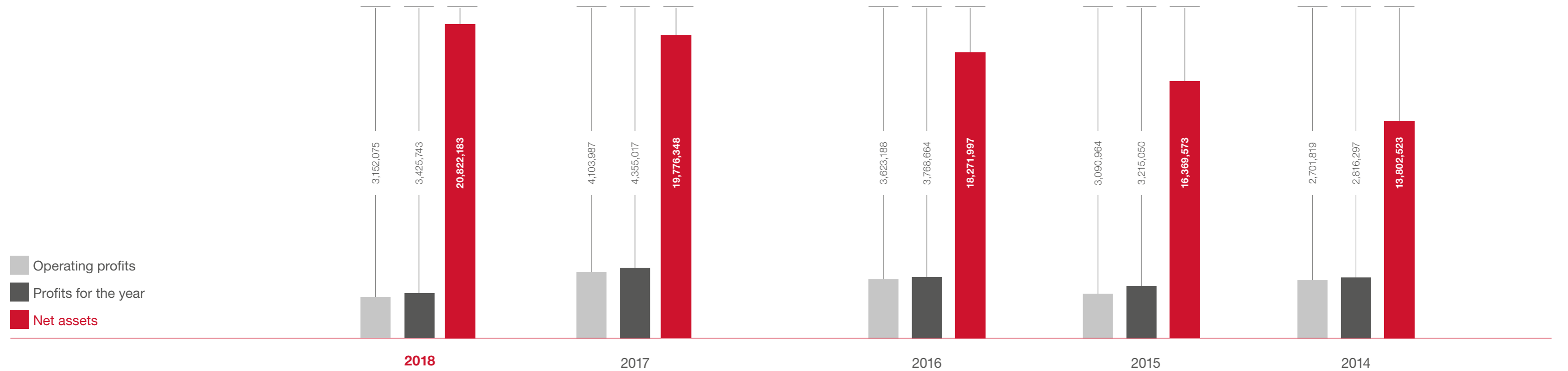
5 year growth

BENEFIT enjoyed a steady growth in 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.

The last five years, in particular, has witnessed a steady stream of new products and services that have marked a decisive shift in both product and customer profile. BENEFIT's decision to be at the centre of Bahrain's drive to usher in digital economy has provided the incentive to launch the Electronic Fund Transfer Systems (Fawri+, Fawri, Fawateer), GCC Point of Sale, Bahrain Credit Reference Bureau, the National Electronic Payment System (BenefitPay) and others.

2018 provided further consolidation of this shift as BENEFIT introduced products and services directly for consumers. This focus was the result of consistent innovation and strategic planning, and is expected to raise BENEFIT's profile amongst diverse customer segments as well as serve to enhance existing services that provide value to member banks and shareholders.

BENEFIT	2014	2015	2016	2017	2018
Operating Profits	2,701,819	3,090,964	3,623,188	4,103,987	3,152,075
Profits for the Year	2,816,297	3,215,050	3,768,664	4,355,017	3,425,743
Net Assets	13,802,523	16,369,573	18,271,997	19,776,348	20,822,183



Management Team



Abdulwahed AlJanahi
Chief Executive Officer
 Abdulwahed AlJanahi, Chief Executive Officer joined the BENEFIT Company on April on 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 33 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 24 years of experience in the information technology and banking industries.



Reyadh Almeearaj
AGM Information Technology
 Reyadh Almeearaj, 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. Almeearaj has over 25 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 26 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 14 years of experience in Credit Reference Bureau, in addition to 5 years in information technology.



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 To learn more about BenefitPay, simply scan the QR code.

Corporate Governance

1. BENEFIT Corporate Governance Report 2018

The BENEFIT Company B.S.C aspires to build a system that is extracted from the Corporate Governance Code of Bahrain 2010 which was introduced by the Central Bank of Bahrain, in the aim of conducting its business and operations with the highest integrity and maximum efficiency.

The Board of Directors of BENEFIT are committed to implementing robust Corporate Governance practices and to review and align these practices with international best practices.

2. Shareholders Information

The shareholders details as below:

No.	Bank/Institution	No. of Shares	% of Shares
1	National Bank of Bahrain B.S.C.	10,836	34.84%
2	Bank of Bahrain & Kuwait	6,843	22.00%
3	Ahli United Bank B.S.C.	3,421	11.00%
4	Standard Chartered Bank	2,800	9.00%
5	HSBC Bank Middle East Limited	2,177	7.00%
6	Bahrain Islamic Bank B.S.C.	1,505	4.84%
7	Citibank N.A.	934	3.00%
8	Al Salam Bank	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 B.S.C. (c)	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 11 Directors, 3 members appointed by major shareholders (NBB, BBK and AUB), 3 elected by the remaining shareholders, 4 independent directors and one director from CBB as an observer. They are Appointed and approved by the Central Bank of Bahrain in August 2018 for a term of 3 years (2018-2121). The Board consists of members with a wide range of experience in the banking and information technology sector.

Board Composition as of August 2018			
No	Director Name	Position in the Board	Committee
1	Mohamed Ebrahim Albastaki	Chairman – Independent Director	Chairman of NRC
2	Ahmed Abdulrahim Bucheery	Vice Chairman - Executive Director	Member of AGRMC
3	Tala Abdulrahman Fakhro	Non-Executive Director	Member of ExCom
4	Abdulrazaq Abdulkhaleq	Non-Executive Director	Member of ExCom
5	Dr. Adel Abdulla Salem	Executive Director	Member of NRC
6	Jayaraman Gurumurthy	Executive Director	Member of AGRMC
7	Khaled Abi Khalil	Executive Director	Member of NRC
8	Matthew John Deakin	Independent Director	Chairman of AGRMC
9	Abdulla Esam Fakhro	Independent Director	Chairman of ExCom
10	Hadyah Mohammed Fathalla	Independent Director	Member of ExCom
11	Yousef Rashid Al Fadhel	Director - CBB Observer	-

Board Composition as of January 2018		
No	Director Name	Position in the Board
1	Abdulla Hussain	Chairman – Executive Director
2	Mohammed Malik	Vice Chairman - Executive Director
3	Mohammad Abdulla	Executive Director
4	Khaled Abi Khalil	Executive Director
5	Jayaraman Gurumurthy	Executive Director
6	Ahmed Abdulrahim	Executive Director
7	Samir Rabadi	Executive Director
8	Samir Al Jamea	Executive Director
9	Abdulrazaq Abdulkhaleq	Non-Executive Director
10	Yousef Al Fadhel	Director - CBB Observer

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.

Corporate Governance

(continued)

The primary role of the Board is the protection and enhancement of BENEFIT's assets. The Board provides direction to the affairs of the Company 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 Company'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 the overall performance of the Company
- Financial control
- Managing Risk
- Ensuring compliance with laws and regulations
- Reporting and Communication

3.3 Directors' Profile

Director's Name	Current Employment	Others Boards
Mohamed Ebrahim Albastaki	-	Board Member - Kingdom University, GOSI and Osool.
Ahmed Abdulrahim	CEO - Ithmaar Group	· Vice Chairman - Faysal Bank Limited, Pakistan, Solidarity Group Holding, Bahrain Association of Banks & Waqf Fund for Islamic Banks. · Board Member – Ithmaar Development Company & Shamil Bank of Yemen.
Tala Abdulrahman Fakhro	Executive Director - EDB	Gulf Diabetes Specialist Centre and Bahrain Development Bank
Abdulrazaq Abdulkhaleq	-	Chairman - Sinnad Board Member - Bahrain Specialist Hospital & ITQAN CAPITAL. Chairman - Audit Committee at Bahrain Specialist Hospital
Dr. Adel Abdulla Salem	Assistant General Manager Retail Banking - BBK	· Board Member - Invita Claims Management Company.
Gurumurthy Jayaraman	Group Head of Technology - AUB	-
Khaled Abi Khalil	Chief Information Officer - SCB – GCC countries excluding UAE	Board Member - Standard Chartered Metropolitan Holding - Lebanon

Director's Name	Current Employment	Others Boards
Matthew John Deakin	Partner - KMH Management Solutions	· Board Member – Bahrain Association of Banks. Advisor - NBB Board. Member - Risk Management Committee at NBB.
Abdulla Esam Fakhro	Abdulla Yousif Fakhro & Sons BSC(c)	· Board Member - Modern Exchange Company BSC(c), Aljazeera Tourism Company BSC(c), Fakhro Insurance Services WLL, Business International WLL & Kingdom Investments SPC.
Hadyah Mohammed Fathalla	Executive Director – C5 Accelerate	· Board Member - Peregrine Partners Fund Company, C5 Accelerate (Gulf) & Women in Fintech Bahrain.
Yousef Rashid Al Fadhel	Executive Director Corporate Services - CBB	-

3.4 Committees of the Board

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

3.4.1 The Audit, Governance and Risk Management Committee (AGRMC):

For the company and its subsidiaries (if any), the AGRMC 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 CBB and MOICT laws and regulations and the Company's code of conduct.

3.4.2 The Executive Committee (ExCom):

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

3.4.3 The Nomination and Remuneration Committee (NRC):

The NRC review the Board composition and succession planning and assist the Board in finding, evaluating and recommending candidates for the Board.

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.

3.5 Directors' Remuneration

Members of the Board of Directors' remuneration is BHD 106,875 for the year 2018. The subcommittees received sitting fees for attending the meetings of AGRMC, ExCom and NRC for a total amount of BHD 100,200 for 2018.

Corporate Governance

(continued)

3.6 Board Appointment

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

3.7 Board and Committee Evaluation

The Board performs a self-evaluation on an annual basis. The Board reviews self-evaluations of individual Board members and the Committees and consider appropriately any recommendations arising out of such evaluation.

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.

3.9 Board and Committees Meetings and Attendance

The Board of Directors and the sub-committees of the Board meet regularly to effectively discharge their responsibilities. For meeting the requirements of the Corporate Governance Code and the CBB Rulebook, the Company considers attendance of Directors at Board and sub-committee meetings. A summary of the Board meetings and sub-committee meetings held during the year 2018 and attendance are detailed below:

Name of Director	Board		Executive Committee		Audit & Corporate Governance Committee		Nomination & Remuneration		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	% of attendance
Mohamed Ebrahim	3	3					1	1	4	4	100%
Abdulla Hussain	7	7					5	4	12	11	92%
AbdulRazaq AbdulKhalil	10	10	4	4			5	5	19	19	100%
Abdulla Fakhro	3	3	4	4					7	7	100%
Dr. Adel Salem	3	3					1	1	4	4	100%
Ahmed A. Rahim	10	10			1	1	5	4	16	15	94%
Jayaraman Gurumurthy	8	8			1	1			9	9	100%
Hadyah Fathalla	3	3	4	4					7	7	100%
Khaled Abi Khalil	10	8	4	4	3	3	1	1	18	16	89%
Matthew Deakin	3	3			1	1			4	4	100%
Mohammed Abdulla	7	6			3	3			10	9	90%
Mohammed Malik	7	7	4	4					11	11	100%
Sami Al Jamea	5	4							5	4	80%
Samir Rabadi	7	4	4	4					11	8	73%
Tala Fakhro	3	3	4	4					7	7	100%
Yousif Al Fadhel	10	10							10	10	100%

Board meetings attendance in 2018

During 2018, ten Board meetings were held in the Kingdom of Bahrain in the following manner:

Key: ✓ Attended X Absent O Was not a member during this period

Board meetings attendance in 2018										
Members	15 Feb	5 Mar	17 Apr	7 May	6 Jun	25 Jul	7 Aug	30 Aug	8 Oct	4 Dec
Mohamed Ebrahim	O	O	O	O	O	O	O	✓	✓	✓
Abdulla Hussain	✓	✓	✓	✓	✓	✓	✓	O	O	O
Abdul Razaq Abdul Khalil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Abdulla Fakhro	O	O	O	O	O	O	O	✓	✓	✓
Dr. Adel Salem	O	O	O	O	O	O	O	✓	✓	✓
Ahmed A. Rahim	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jayaraman Gurumurthy	O	O	✓	✓	✓	✓	✓	✓	✓	✓
Hadyah Fathalla	O	O	O	O	O	O	O	✓	✓	✓
Khaled Abi Khalil	✓	✓	X	✓	✓	✓	✓	X	✓	✓
Matthew Deakin	✓	O	O	O	O	O	O	✓	✓	✓
Mohammed Abdulla	✓	✓	✓	✓	✓	✓	X	O	O	O
Mohammed Malik	✓	✓	✓	✓	✓	✓	✓	O	O	O
Sami Al Jamea	O	O	✓	✓	✓	✓	X	O	O	O
Samir Rabadi	X	✓	X	✓	✓	✓	X	O	O	O
Tala Fakhro	O	O	O	O	O	O	O	✓	✓	✓
Yousif Al Fadhel	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Executive Committee meetings in 2018								
Members	16 Jan	26 Mar	13 May	30 Jul	23 Sep	19 Nov	25 Nov	27 Nov
Abdul Razaq Abdul Khalil	O	O	O	O	✓	✓	✓	✓
Abdulla Fakhro	O	O	O	O	✓	✓	✓	✓
Hadyah Fathalla	O	O	O	O	✓	✓	✓	✓
Khaled Abi Khalil	✓	✓	✓	✓	O	O	O	O
Mohammed Malik	✓	✓	✓	✓	O	O	O	O
Samir Rabadi	✓	✓	✓	✓	O	O	O	O
Tala Fakhro	O	O	O	O	✓	✓	✓	✓

Audit, Governance and Risk Management Committee meetings in 2018				
Members	8 Feb	18 Apr	24 Jul	28 Oct
Ahmed A. Rahim	O	O	O	✓
Jayaraman Gurumurthy	O	O	O	✓
Khaled Abi Khalil	✓	✓	✓	O
Matthew Deakin	O	O	O	✓
Mohammed Abdulla	✓	✓	✓	O

Corporate Governance

(continued)

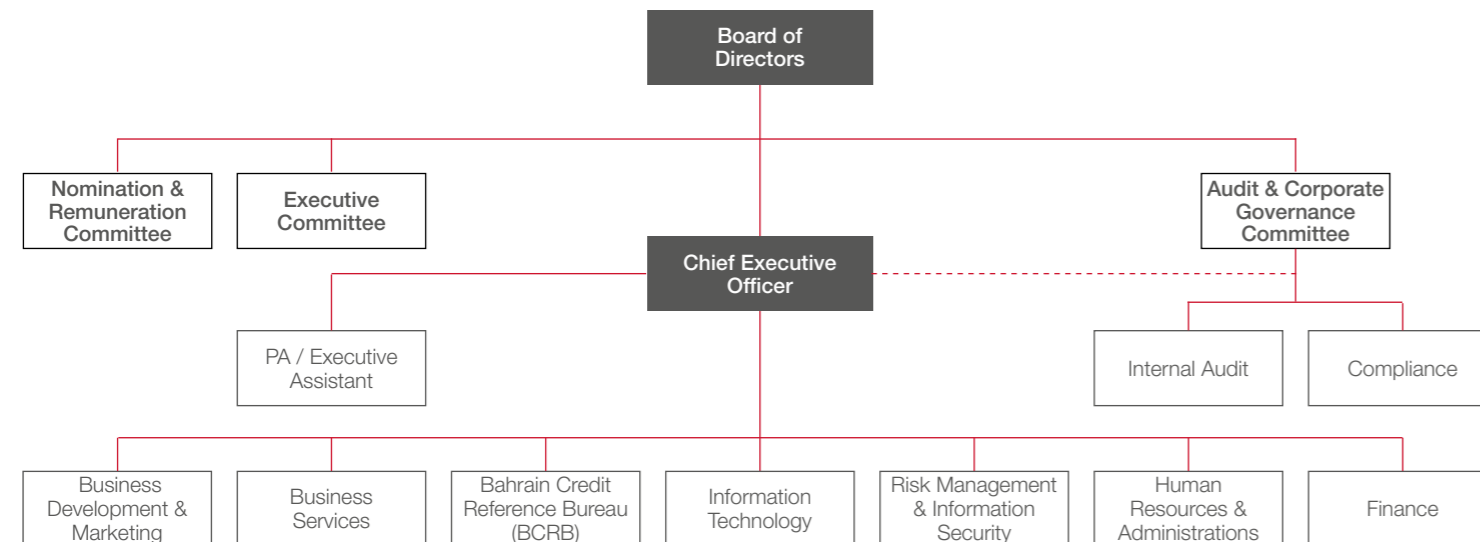
Nomination & Remuneration Committee meetings in 2018						
Members	4 Feb	22 Feb	7 Mar	12 Mar	16 May	7 Nov
Abdul Razaq Abdul Khaliq	✓	✓	✓	✓	✓	○
Abdulla Hussain	X	✓	✓	✓	✓	○
Dr. Adel Salem	○	○	○	○	○	✓
Ahmed A. Rahim	✓	✓	✓	X	✓	○
Khaled Abi Khalil	○	○	○	○	○	✓
Mohamed Ebrahim	○	○	○	○	○	✓

4. Annual General Meeting (AGM) and Extraordinary General Meeting (EGM)

The first AGM was held on 27th March 2018. The second AGM and EGM were held on 15th August 2018.

5. 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 seven main departments, which are Business Development & Marketing, Business Services, Bahrain Credit Reference Bureau (BCRB), Information Technology, Risk Management & Information Security, Human Resources & Administrations, and Finance. The structure also includes Internal Audit and Compliance that has direct access to the CEO and Board of BENEFIT through the AGRMC.



6. Directors Code of Conduct

This Code sets ethical standards for the Directors and Executive Management of the Company and reflects the Directors and Executive Management's intention to ensure that their duties and responsibilities to the Company are performed with the utmost integrity, and professionalism.

7. 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, or the public at large. The Policy provides all employees the sufficient protection for such.

8. Conflicts of Interest

The Company has a documented policy for Conflict of Interest and Connected Parties. In the event of the Board or its Committees considering any issues involving conflict of interest of Directors, decisions are taken by the full Board/Committees.

The concerned Director shall leave the meeting room during the discussion of these issues. These events are recorded according to the Policy. The Directors are required to inform the entire Board and Board Secretary of any potential conflicts of interest that might arise, and to abstain from voting on the matter.

9. Performance Incentive

The Board has formed a NRC to evaluate the performance linked incentive structure for the key management personnel, please refer to Audited financials under note 16 (a).

10. 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 GATEWAY, 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 16 (b).

11. Communication

The Company is not publicly listed; however, the Company's website is updated with the Annual Report as well as shareholders have access to any information required i.e. related to financial and others through the CEO. The annual report for 2018 will be published on the website after the AGM meeting.

12. 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.

13. 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.

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

Corporate Governance

(continued)

14. Internal Control

The Company's Internal Auditor reviews internal control processes & procedures, and KPMG is the Company's External Auditor. The AGRMC is presented with the Internal Auditor findings and correction plan.

15. Financial Preparation

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

16. Remuneration Policy for Board of Directors and Executive Management

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

17. Other Information

The statutory Auditors of the Company are KPMG Fakhro Bahrain, 2018 audit fees is BHD 11,492 and non-audit services fees are BHD 153,234.

18. 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.

19. Status of Compliance with Corporate Governance Guidelines

BENEFIT abides by the Code of Corporate Governance issued by CBB and MOICT in Bahrain.



Benefit Annual General Meeting

BENEFIT ANNUAL GENERAL MEETING			Meeting: AGM-27.03.18
Minutes	27 March 2018	11:00 am	THE BENEFIT COMPANY
Meeting called by	The Benefit Company		
Type of meeting	Annual General Assembly Meeting for 2017		
Attendees	As per attendees list		
Apologies	None		

The Chairman, Mr. Abdulla Hussain chaired the meeting and welcomed the Shareholders representatives, Central Bank of Bahrain and Ministry of Industry, Commerce and Tourism and confirmed we have a quorum of 100% at the meeting.

Agenda topics

1. Minutes of AGM meeting held on 30 March 2017 ABDULLA HUSSAIN

Discussion:

1.1 The Chairman advised the Shareholders the minutes of the previous AGM meeting held on 30 March 2017 is part of the distributed Annual Report for their reference and information. There were no comments or questions raised and the minutes were approved accordingly.

Resolution 1 – AGM/18: The minutes of the Annual General Meeting held on 30 March 2017 was approved by the Shareholders.

2. Directors Report for the year ended 31 December 2017 ABDULLA HUSSAIN

Discussion:

2.1 The Chairman gave a summary on the Directors Report for 2017 and advised 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, and is available in many locations. BENEFIT has also added Government entities to the Bahrain Credit Reference Bureau (BCRB) and accordingly has successfully completed the system integration with 15 Government entities.

2.2 The Chairman continued to inform the shareholders The BENEFIT Company 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.

2.3 During 2017, with the aim of enhancing information security, 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. 2017 also witnessed a 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. There were no comments or questions raised and the report of the Directors was approved.

Resolution 2 – AGM/18: The Report of the Directors for the year ended 31 December 2017 was approved by the Shareholders.

3. External Auditors Report to the Shareholders for the year 2017 MUKTA KULKARNI

Discussion:

3.1 Mrs. Mukta Kulkarni of KPMG read the Auditor's opinion and 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 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.

3.2 KPMG 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 2017, 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].

3.3 There were no comments and the Auditors report for the financial year ended 31 December 2017 was approved.

Resolution 3 – AGM/18: The External Auditors Report for the year ended 31 December 2017 was approved by the Shareholders.

4. Financial Statement for the year ended 31 December 2017 ABDULLA HUSSAIN

Discussion:

4.1 Chairman advised during the year 2017, BENEFIT recorded a successful year which 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.

4.2 BENEFIT also 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. The financial statement for the year ended 31 December 2017 has been distributed and is in the annual report. There were no questions raised and the report was approved.

Resolution 4-AGM/18: The financial statements for the year ended 31 December 2017 was approved by the Shareholders.

5. Recommended appropriation of the Net Profit for 2017 ABDULLA HUSSAIN

Discussion:

5.1 The Chairman advised the Shareholders, the Board of Directors have recommended the following appropriation of the Net Profit of the year 2017 as follows:-

- a. 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.
- b. To transfer BD 429,064 to the General Reserve. There were no comments and was accordingly approved.
- c. To transfer BD 214,532 to Charitable Donations. There were no comments and was accordingly approved.
- d. To transfer BD 1,301,142 to the Retained Earnings. There were no comments and was accordingly approved.

Resolution 5 – AGM/18: The above recommended appropriation of the Net Profit for 2017 was approved by the Shareholders.

Benefit Annual General Meeting

(continued)

6 Corporate Governance Report for 2017 ABDULLA HUSSAIN

6.1 The Chairman advised the Corporate Governance report is in the distributed Annual report, and if required the report can be read. The Shareholders did not ask the report to be read out and no comments were raised and the report was considered approved.

Resolution 6 - AGM/18: The Shareholders approved the Corporate Governance report for 2017.

7 Directors Remuneration for 2017 ABDULLA HUSSAIN

7.1 The Shareholders were advised the Board of Directors recommended Directors Remuneration in the sum of BD 110,000 for the year 2017. There were no questions raised and was accordingly approved.

Resolution 7 -AGM/18: The Shareholders approved the Directors remuneration in the sum of BD 110,000 for the year 2017.

8. Recommended Appropriation of Legal Liability ABDULLA HUSSAIN

8.1 The Shareholders were asked to absolve The Benefit Company Board of Directors from their legal liability for the year 2017 and this was approved and no questions were raised.

Resolution 8-AGM/18: The Shareholders approved to absolve the Board of Directors from their legal liability for the year 2017.

9. Appointment of the External Auditor for 2018 ABDULLA HUSSAIN

9.1 The Chairman advised the shareholders on The Board of Directors recommendation to re-appoint the Company's external auditor KPMG for the year 2018, subject to the approval of the Central Bank of Bahrain, and to authorize the Board of Directors to determine their fees.

Resolution 9 -AGM/18: The shareholders approved the appointment of KPMG as the Company's External Auditors for the year 2018 subject to CBB approval and authorized the Board of Directors to determine their fees.

The Chairman concluded the AGM for 2017 and on behalf of The Board of Directors expressed 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 expressed 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.

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

Abdulla Hussain
Chairman

Abdulwahed AlJanahi
Chief Executive Officer

THE BENEFIT COMPANY EXTRAORDINARY GENERAL MEETING (EGM)

Date, Time and Venue	15 august 2018	1:00 PM	The Intercontinental Regency Hotel
Attendees	Board of Directors and Executive Management Mr. Abdulla Hussain, Chairman; Mr. Mohamed Malik, Vice Chairman; Mr. Ahmed A. Rahim, Director; Mr. A. Razak A. Khaliq, Director; Mr. Yousif Al Fadhel, Director (CBB Observer); Mr. Yousif Al-Nefaie, Acting CEO		
	Representatives from the authorities Mr. Ahmed Ameer & Mr. Hamad AlFadhel, Representative of the Central Bank of Bahrain Mrs. Nada AlThawadhi, Representative of the Ministry of Industry, Commerce and Tourism		
	Mr. Mamoon ElTayeb, Partner in Zu'bi & Partners, Legal Advisor		

The Chairman of the EGM, Mr. Abdulla Hussain (Chairman) welcomed the representatives of the Shareholders, representatives of the Central Bank of Bahrain (CBB) and the Ministry of Industry, Commerce and Tourism (MOICT) and other attendants, and announced that the attendance has reached 97.68%, which means that the required quorum has been fully met.

The Chairman announced that the EGM is being held in coordination and consultation with, and under the direction of, the CBB and requested if there were any particular issues with holding the EGM. This was noted and no objection was raised.

Agenda item 1 To Ratify the Minutes of the previous Extraordinary general meeting HELD ON 29 MARCH 2015

The Chairman informed the Shareholders that the minutes of the previous EGM held on 29 March 2015 has been distributed as part of the meeting pack for their reference and whether there were any comments on the minutes.

There were no comments or questions raised and accordingly the minutes were approved.

Resolution 1 – EGM/1808: The minutes of the Extraordinary General Meeting dated 29 March 2015 was approved by the Shareholders.

Benefit Annual General Meeting

(continued)

Agenda item 2 To approve the amendments to article 21 of the company's articles of association

The Chairman read the agenda item, as follows:

To approve the amendments of Article 21 of Articles of Association to be read as follows:

- a) The Company shall be managed by the Board of Directors consisting of ten members;
- b) The General Assembly shall appoint the board members who shall be selected as follows:
 - i. Three members shall be selected by the major shareholders; NBB, BBK and AUB, each shareholder shall select one member.
 - ii. Three members shall be selected by the other shareholders
 - iii. Four independent members
- c) The duration of the Board shall be three years renewable.

Director Ahmed A. Rahim recommended a change in (b-i) from "**selected**" to "**appointed**" and in (b-ii) from "**selected**" to "**elected**". The legal advisor, Mr. Mamoon ElTayeb, confirmed that the changes are acceptable.

The Shareholders had no comments and accordingly the proposed amendments to article 21 of the Articles of Association and the amendments in (b-i) and (b-ii) were approved.

Resolution 2 - EGM/1808: The amendment to Article 21 in the Article of Association (AOA) was approved by the Shareholders including the proposed amendment during the meeting.

Agenda Item 3 Notarisation of the Amended articles of association

The Chairman read the agenda item, as follows:

To authorize and delegate powers to the Chairman, Mr. Abdullah Hussain and/or the Vice Chairman Mr. Mohammed Malik and/or the CEO of the Company, Mr. Abdulwahed Abdulrahman AlJanahi to sign the amended Articles of Association (AOA) on behalf of the shareholders before the Notary Public.

There were no comments and accordingly it was approved.

Resolution 3 – EGM/1808: The proposed authorised signatories were approved by the Shareholders.

Abdulla Hussain
Chairman

Yousif Al-Nefaiei
Acting Chief Executive Officer

THE BENEFIT COMPANY GENERAL ASSEMBLY MEETING

Date, Time and Venue	15 August 2018	1:20 PM	The Intercontinental Regency Hotel
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Board of Directors and Executive Management
Mr. Abdulla Hussain, Chairman; Mr. Mohamed Malik, Vice Chairman;
Mr. Ahmed A. Rahim, Director; Mr. A. Razak A. Khaliq, Director;
Mr. Yousif Al Fadhel, Director (CBB Observer);
Mr. Yousif Al-Nefaie, Acting CEO

ATTENDEES

Representatives from the authorities
Mr. Ahmed Ameer & Mr. Hamad AlFadhel, Representative of the Central Bank of Bahrain
Mrs. Nada AlThawadhi, Representative of the Ministry of Industry, Commerce and Tourism

Mr. Mamoon ElTayeb, Partner in Zu'bi & Partners, Legal Advisor

The Chairman of the General Assembly, Mr. Abdulla Hussain, welcomed the representatives of the Shareholders, representatives of the Central Bank of Bahrain (CBB) and the Ministry of Industry, Commerce and Tourism (MOICT) and other attendants, and announced that the attendance has reached 100%, which means that the required quorum has been fully met.

The Chairman announced that the AGM is being held in coordination and consultation with, and under the direction of, the CBB and requested if there were any particular issues with holding the AGM. This was noted and no objection was raised

Agenda Item 1 Ratify the Minutes of the Previous General Assembly Meeting held on 27 March 2018

The Chairman informed the Shareholders that the minutes of the previous General Assembly Meeting held on 27 March 2018 has been distributed as part of the meeting pack for their reference and asked if there were any comments on the minutes.

There were no comments or questions raised and accordingly the minutes were approved.

Resolution 1 – AGM/1808: The minutes of the Annual General Meeting (AGM) dated 27 March 2018 was approved by the Shareholders.

Agenda Item 2 To Absolve the Current Board of Directors from any Liability for the Period from 1st January 2018 till Date of the meeting

The Chairman presented the agenda item to absolve the current board of directors from any liability relating to their conduct for the period from 1st January 2018 till date of this meeting. There were no comments or questions raised and hence it was approved.

Resolution 2 – AGM/1808: The Benefit Board is absolved by the shareholders from any liability relating to their conduct for the period from 1st January 2018 till date of this meeting.

Agenda Item 3 To Approve the Appointment of the Three Board of Directors nominated by the Three Major Shareholders for a period of Three Years

Chairman presented to the shareholders the appointment of the three Board of Directors nominated by the three major shareholders, one board member for each bank, for a period of 3 years, and approved by the Central Bank of Bahrain (CBB), as follows:

1. Mrs. Tala Abdulrahman Fakhro, representing NBB
2. Dr. Adel Abdulla Salem, representing BBK
3. Mr. Jayaraman Gurumurthy, representing AUB

There were no comments and accordingly the three nominated representatives were approved for a period of three years.

Resolution 3 – AGM/1808: The nominated representatives for the three major Shareholders, NBB, BBK and AUB were approved by the Shareholders for a period of three years.

Benefit Annual General Meeting

(continued)

Agenda Item 4 To approve the appointment of three board of directors nominated by the other shareholders for a period of three years

The Chairman presented to the shareholders the appointment of three Board of Directors nominated by the other ten shareholders during a meeting held for this purpose on 30 July 2018, and approved by the Central Bank of Bahrain, as follows:

1. Mr. Ahmed Abdulrahim Bucheery;
2. Mr. Khaled Abi Khalil; and
2. Mr. Abdulrazak Abdulkhaleq.

There were no comments and accordingly the three nominated representatives were approved for a period of three years.

Resolution 4 – AGM/1808: The three nominated (elected) representatives of the other Shareholders were approved for a period of three years.

Agenda Item 5 To approve the appointment of four independent directors for a period of three years

The Chairman advised the shareholders about appointment of four Independent Directors in coordination and consultation with, and with the approval of the CBB. The four Independent Members are:

1. Mr. Mohamed Ebrahim Albastaki;
2. Mr. Matthew John Deakin;
3. Mr. Abdulla Esam Fakhro; and
4. Ms. Hadyah Fathalla.

There were no comments raised and accordingly the appointment of the four Independent Directors for a period of three years was approved.

Resolution 5 – AGM/1808: The four Independent Directors were approved by the Shareholders for a period of three years.

Agenda Item 6 Notarisation of the Amended articles of association

ABDULLA HUSSAIN

Discussion:

To authorize and delegate powers to the Chairman, Mr. Abdullah Hussain and/or the Vice Chairman Mr. Mohammed Malik and/or the CEO of the Company, Mr. Abdulwahed Abdulrahman AlJanahi to sign the amended Articles of Association (AOA) on behalf of the shareholders before the Notary Public. There were no comments and was approved by the Shareholders.

Resolution 6 – EGM/1808: The proposed authorised signatory was approved by the Shareholders.

The Chairman concluded the General Assembly Meeting and thanked all the Shareholders and the representatives of the CBB and MOICT

The Chairman also expressed his sincere gratitude to the Central Bank of Bahrain for their support and guidance. He also thanked the existing members of Board of Directors as well as the executive management and staff of the Company for their valued efforts and contribution towards the success and achievements of the Company and wished BENEFIT all the success in the future.

The Chairman welcomed the new Board of Directors and wished them every success going forward.

Mr. Ahmed A.Rahim, on behalf of his other Board members, expressed his sincere thanks and appreciation to the Chairman, Mr. Abdulla Hussain, and to the Vice Chairman, Mr. Mohammed Malik, for their strategic directions and valuable contributions during the past several years.

There were no further comments and the meeting closed at 1:35pm.

Abdulla Hussain
Chairman

Yousif Al-Nefaiei
Acting Chief Executive Officer

Report of the Directors

For the year ended 31 December 2018

The Benefit Company (“BENEFIT” or “the Group”) witnessed yet another successful year in 2018 where it focused on introducing new innovative services and achieving sustainable profitability. The Group continued to enhance its role within the financial services sector whilst maintaining the highest quality of its existing services.

Business Review

During 2018, BENEFIT extended the features of its National E-Wallet (BenefitPay) to enable fund transfers in both real-time through the Fawri+ service and as deferred settlements through the Fawri service. It also enabled the Fawateer service on BenefitPay to help customers view and pay their bills on one application. BenefitPay has therefore formed an ecosystem for all stakeholders by providing customers one application where they perform payments and transfers using their Debit Cards, Credit Cards and/or accounts.

The Switch Service continued the expansion of its presence within the GCC through the successful integration with MADA (Saudi National Switch) for the GCC POS service which has realized significant growth in the number of transactions.

The Bahrain Credit Reference Bureau (BCRB) has witnessed a significant growth in the number of accounts in its repository with a 125% growth rate due to the incorporation of a number of Government entities into the Bureau which are primarily the Social Insurance Organization, General Directorate of Traffic, Ministry of Justice & Islamic Affairs, and Bahrain Tourism and Exhibitions Authority. Also, BCRB has offered online (API) integration with its members as part of its plan towards the digitization of credit facilities application processing, and has announced its successful integration with MEEM digital banking platform. Further, BCRB has also signed an agreement with the Saudi Credit Information Bureau (SIMAH) to exchange corporate credit reports between both countries by early 2019.

There has been a healthy growth in Electronic Funds Transfer System (EFTS) transactions with 158% growth rate and over 959k transactions being recorded in Fawri+ service in comparison to 372k transactions in 2017. Further, around 5.8 million transactions were carried out on Fawri with a growth rate of 19% as compared to 2017. Fawateer service has noticed a good growth in 2018 as well with 1.7 million transactions representing a 34% growth rate compared to 2017. This is in addition to extending the EFTS participation to Payment Service Providers (PSPs) thereby enabling PSPs to provide Fawri+, Fawri, and Fawateer to their customers.

BENEFIT has also introduced its stock clearing integration service with Sico during the year. The service enables investors to directly fund their stock trading activities without the need to have a prefunded account with the broker. It allows investors to directly settle their purchases through Sico's electronic trading interface by pre-authorizing Sico as their broker to debit their IBANs directly. The service also provides investors who prefer to pre-fund their investment accounts with Sico an easy and convenient method through availing the Fawateer bill payment service.

The Group has also established a full-fledged Business Continuity Site aimed at being certified as ISO 22301 in addition to being recertified with PCI-DSS.

Overall Performance and financial results

Overall, 2018 was a very successful year for BENEFIT and we are optimistic of continuing with our successful stories as we develop our new strategic plan for the next three years. As a reflection of the Group's achievements, BENEFIT recorded a growth of 7% in the consolidated revenues of BHD 9.9 million in 2018 from BHD 9.2 million in 2017 and a growth of 5% in the consolidated net assets of BHD 20.8 million in 2018 from BHD 19.8 million. BENEFIT net profit was 21% lower at BD 3.4 million in 2018 compared to BD 4.4 million in 2017 due to higher investments in human resources and marketing activities as well as the investment in Sinnad's (the subsidiary) own platform and network. The results reflect BENEFIT's focus on improving its revenue streams and maintaining organic business growth.

Financial highlights - Bahraini Dinars	2018	2017	Growth
Consolidated operating profit	3,152,075	4,103,987	-23%
Consolidated net profit for the year	3,425,743	4,355,017	-21%
Consolidated net assets	20,822,183	19,776,348	5%

Report of the Directors

For the year ended 31 December 2018

(continued)

Recommended Appropriations and Board Remuneration for 2018

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

	2018 (BD)
Dividends	1,555,200
General reserve	342,574
Charity reserve	171,287
Total appropriations	2,069,061

The Board has also recommended BD 106,875 as the directors' remuneration for the year 2018.

Both the appropriations and the directors' remuneration are subject to approvals of the Central Bank of Bahrain and the shareholders.

Outlook for 2019

BENEFIT has initiated new innovative services for 2019 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 Utility to enable banks and financial institutions to authenticate and validate their customers' information electronically enabling them to transform their services digitally.

The Group 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.

BenefitPay is one of the major focus areas for BENEFIT in 2019 with a plan to extend BenefitPay features to enable NFC for all the customers allowing them to tap and go on any POS with contactless acceptance locally and internationally. Additionally, BENEFIT is collaborating with key remittance houses in Bahrain to offer remittance service through BenefitPay in a secure and compliant manner which adheres to all rules and regulations.

BENEFIT will also undertake to extend the Switch service to cater for contactless payments via cards and mobile. It will also extend its platform to offer tokenization services to support mobile wallets in the market in offering NFC payment.

In its continuous effort to be compliant with international standards in order to gain more credibility with its shareholders, customers and the regulator, BENEFIT has embarked on a project for becoming certified as ISO 220301 which specifies the requirements for a management system to protect against, reduce the likelihood of, and ensure that the business recovers from disruptive incidents.

Acknowledgements

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

The Board of Directors takes this opportunity to express their gratitude and sincere appreciation to His Majesty King Hamad bin Isa Al Khalifa - the King of Bahrain, to His Royal Highness Prince 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 management and employees for their hard work, dedication and contribution to the success of the Group.



Mohamed Ebrahim Albastaki
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 2018, 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 2018, 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 45 to 46.

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

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

Responsibilities of 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)

Auditors' responsibilities for the audit of the consolidated financial statements (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 of 2001 (as amended), and Volume 5 of the Central Bank of Bahrain (CBB) Rule Book, we report that:

- the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- the financial information contained in the directors' report is consistent with the consolidated financial statements;
- we are not aware of any violations during the year of the Bahrain Commercial Companies Law of 2001 (as amended), the CBB and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rule Book (Volume 5, applicable provisions of Volume 6 and CBB directives) or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
- satisfactory explanations and information have been provided to us by management in response to all our requests.

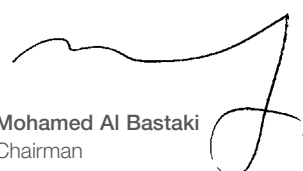
KPMG Fakhro
Partner Registration No. 213
13 February 2019

Consolidated Statement of Financial Position

As at 31 December 2018 - (Bahraini Dinars)

	Note	2018	2017*
Assets			
Furniture and equipment	4	1,285,673	1,163,712
System software	5	1,048,273	1,116,762
Capital work in progress		848,306	558,043
Other assets		139,168	104,861
Total non-current assets		3,321,420	2,943,378
Cash and bank balances		8,440,972	4,374,231
Balance with Central Bank of Bahrain		2,032,378	3,822,642
Balance with other central banks		1,851,319	854,806
Deposits with banks		1,964,161	4,248,362
Treasury Bills	6	4,788,738	4,852,066
Trade receivables	7	241,562	265,099
Prepaid expenses and other receivables		157,161	76,039
Total current assets		19,476,291	18,493,244
Total assets		22,797,711	21,436,623
Equity and liabilities			
Share capital	1	3,110,400	3,110,400
Statutory reserve		1,612,138	1,612,138
General reserve		794,214	365,150
Charity reserve		214,532	-
Retained earnings		15,090,899	14,688,660
Total equity		20,822,183	19,776,348
Liabilities			
Provision for employees' leaving indemnities	8	146,364	128,166
Total non-current liabilities		146,364	128,166
Trade payables and accrued expenses	9	1,536,604	1,076,287
Payable for acquisition of shares in Subsidiary	10	221,970	443,940
Deferred income		70,590	11,882
Total current liabilities		1,829,164	1,532,109
Total equity and liabilities		22,797,711	21,436,623

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 3 for further details.


Mohamed Al Bastaki
Chairman


Ahmed A. Rahim
Vice Chairman

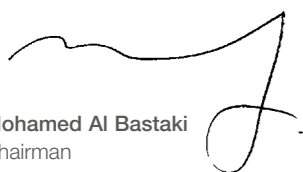
The accompanying notes 1 to 21 are an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2018 - (Bahraini Dinars)

	Note	2018	2017
Revenue			
Switch	11	6,803,714	5,959,536
BCRB		993,227	1,023,895
BCTS		582,086	606,613
EFTS		758,435	680,253
Card services	12	722,388	929,273
Total operating revenue		9,859,850	9,199,570
Staff cost		2,982,684	2,264,573
Cost of provision of services	13	1,312,992	1,233,621
Depreciation and amortisation	4,5	856,924	796,895
Other operating expenses	14	1,555,175	800,494
Total operating costs		6,707,775	5,095,583
Operating profit		3,152,075	4,103,987
Interest income	15	259,247	251,030
Other income		14,421	-
Profit for the year		3,425,743	4,355,017
Other comprehensive income for the year		-	-
Total comprehensive income for the year		3,425,743	4,355,017
Attributable to:			
- Equity holders of the parent company		3,425,743	4,290,643
- Non controlling interest		-	64,374
		3,425,743	4,355,017

Mohamed Al Bastaki
Chairman



Ahmed A.Rahim
Vice Chairman



The accompanying notes 1 to 21 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018 - (Bahraini Dinars)

2018	Total equity attributable to shareholders of the Parent Company						Non-controlling-Interest	Total equity
	Share capital	Statutory reserve	General reserve	Charity reserve	Retained earnings	Total		
At 31 December 2017	3,110,400	1,612,138	365,150	-	14,688,660	19,776,348	-	19,776,348
Adjustment on initial adoption of IFRS 9 (note 3)	-	-	-	-	(58,204)	(58,204)	-	(58,204)
Adjustment on initial adoption of IFRS 15 (note 3 and 12)	-	-	-	-	11,096	11,096	-	11,096
Adjusted balance at 1 January 2018	3,110,400	1,612,138	365,150	-	14,641,552	19,729,240	-	19,729,240
Profit and total comprehensive income for the year	-	-	-	-	3,425,743	3,425,743	-	3,425,743
Dividend declared in 2017	-	-	-	-	(2,332,800)	(2,332,800)	-	(2,332,800)
Transfer to Charity reserve	-	-	-	214,532	(214,532)	-	-	-
Transfer to general reserve	-	-	429,064	-	(429,064)	-	-	-
At 31 December 2018	3,110,400	1,612,138	794,214	214,532	15,090,899	20,822,183	-	20,822,183

2017	Total equity attributable to shareholders of the Parent Company						Non-controlling interest	Total equity
	Share capital	Statutory reserve	General reserve	Charity reserve	Retained earnings	Total		
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

The accompanying notes 1 to 21 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018 - (Bahraini Dinars)

	2018	2017
Operating activities		
Cash received from switch operations	6,798,742	5,967,429
Cash received from BCRB operations	1,020,858	1,023,445
Cash received from card services	767,325	959,728
Cash received from BCTS operations	582,549	605,413
Cash Received from EFTS operations	752,155	683,646
Payment for bank guarantee	-	(104,861)
Payments for operating expenses	(5,651,726)	(3,906,179)
Payment for directors' remuneration	(110,000)	(120,000)
Net cash generated from operating activities	4,159,903	5,108,621
Investing activities		
Purchase of furniture and equipment	(176,222)	(558,694)
Purchase of software	(198,768)	(275,994)
Payments for capital work in progress	(732,769)	(523,243)
Movement on deposits with banks	2,544,969	-
Interest received on current account	8,678	167,471
Net cash generated from investing activities	1,445,888	(1,190,460)
Financing activities		
Dividend paid	(2,332,800)	(2,332,800)
Net cash generated from/used in financing activities	(2,332,800)	(2,332,800)
Net increase in cash and cash equivalents	3,272,991	1,585,360
Cash and cash equivalents at beginning of year	9,051,678	7,466,319
Cash and cash equivalents at end of the year	12,324,669	9,051,679
Cash and bank balances	8,440,972	4,374,231
Balance with Central Bank of Bahrain	2,032,378	3,822,642
Balance with other central banks	1,851,319	854,806
	12,324,669	9,051,679

The accompanying notes 1 to 21 are an integral part of these consolidated financial statements.

Notes

To the 31 December 2018 Consolidated Financial Statements (Bahraini Dinars)

1. REPORTING ENTITY

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

The Company has been granted with a licence for Ancillary Services from the Central Bank of Bahrain to provide payment systems, Bahrain Cheques Truncation and other related financial services for the benefit of the commercial banks and their customers in the Kingdom of Bahrain. The Credit Reference Bureau ("CRB") operations commenced in Bahrain in August 2005. The Company launched the Bahrain Cheques Truncation System (the "BCTS") on 13 May 2012 and Electronic Fund Transfer System (the "EFTS") on 5 November 2015.

Share Capital

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

Subsidiary

The Company owns 100% (31 December 2017: 100%) in Sinnad SPC ("Subsidiary"). The Subsidiary has been incorporated to provide debit and credit card hosting services, cards personalisation and other ATM acquiring services. On 24 July 2018, the Company has made capital injection of BD 1.8 million in its subsidiary. Such transaction did not have any impact on the consolidated financial statements for the year ended December 2018.

The consolidated financial statements comprise the financial statements of the Company and its subsidiary (together referred to as the "Group") and these were approved by the Board of Directors on 13 February 2019.

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 measurement

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

c) Functional and presentation currency

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

d) New standards, amendments and interpretations effective from 1 January 2018

The Group has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' from 1 January 2018. Refer to note 3(a).

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 2019 and early adoption is permitted; however the Group has not early adopted the following new or amended standards in preparing these 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 from adoption of this standards.

Notes

To the 31 December 2018 Consolidated Financial Statements (Bahraini Dinars)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been consistently applied by the Group and are consistent with those applied in the previous year except as described in 3 (a).

a) Adoption of new standards:

The Group initially adopted IFRS 9 "Financial instrument" (see A) and IFRS 15 "Revenue from Contracts with Customers" (see B) from 1 January 2018. The effect of initially applying these standards is mainly attributable to earlier recognition of revenue from Card services (see B below) and an increase in impairment losses recognised on financial assets (see A below).

(A) IFRS 9 – "Financial Instruments"

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the consolidated financial statements as of and for the year ended 31 December 2017.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period.

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are the details of the specific IFRS 9 accounting policies applied in the current period and IFRS 9 transition impact disclosures for the Group.

i. Changes in Accounting Policies

The key changes to the Group's accounting policies resulting from the adoption of IFRS 9 are summarised below. Since the comparative financial information has not been restated, the accounting policies in respect of the financial instruments for comparative periods are based on IAS 39 as disclosed in the audited consolidated financial statements as of and for the year ended 31 December 2017.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-for-trading, held-to-maturity, available-for-sale and loans and receivables.

IFRS 9 removes the requirement contained in IAS 39 relating to bifurcation of an embedded derivative from an asset host contract. However, entities are still required to separate derivatives embedded in financial liabilities where they are not closely related to the host contract.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities with the exception of the treatment of the Group's own credit gains and losses, which arise where the Group has chosen to measure a liability at fair value through profit or loss.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

The Group applies the three-stage approach to measuring ECL on financial assets carried at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12-months ECL

Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since initial recognition or that have low credit risk. 12-month ECL is the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12-months.

Notes

To the 31 December 2018 Consolidated Financial Statements (Bahraini Dinars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stage 2: Lifetime ECL - not credit impaired

Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the life-time probability of default ('PD').

Stage 3: Lifetime ECL - credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date in accordance with the indicators specified in the CBB's rule book. For these assets, lifetime ECL is recognised.

ii. Changes to the Significant Estimates and Judgements

Financial asset and liability classification

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Impairment of financial instruments

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

In determining whether credit risk has increased significantly since initial recognition receivables overdue by 30 days, downgrade in risk rating of counterparty etc. are considered.

Measurement of expected credit losses

The estimation of credit exposure for risk management purposes requires the use of a model, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures expected credit loss using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

iii. Impact of adopting IFRS 9

The impact from the adoption of IFRS 9 as at 1 January 2018 has resulted in decrease in retained earnings by BD 58,204 as a result of an increase in impairment losses recognised on following financial assets:

Impact on recognition of expected credit losses

Bank balances	(2,082)
Balance with other central banks	(407)
Deposits with banks	(52,573)
Trade receivables	(547)
Other receivables	(2,595)
	(58,204)

Notes

To the 31 December 2018 Consolidated Financial Statements (Bahraini Dinars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

iv. Classification and Measurement of Financial Instruments

The Group performed a detailed analysis of its business models for managing financial assets as well as analysing their cash flow characteristics. The below table reconciles the original measurement categories and carrying amounts of financial assets in accordance with IAS 39 and the new measurement categories under IFRS 9 as at 1 January 2018:

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	IFRS 9 ECL Impact	New carrying amount under IFRS 9
Financial assets					
Cash and bank balances	Loans and receivables	Amortised cost	4,374,231	(2,082)	4,372,149
Balance with Central Bank of Bahrain	Loans and receivables	Amortised cost	3,822,642	-	3,822,642
Balance with other central banks	Loans and receivables	Amortised cost	854,806	(407)	854,399
Deposits with banks	Held-to-maturity	Amortised cost	4,248,362	(52,573)	4,195,789
Treasury bills	Held-to-maturity	Amortised cost	4,852,066	-	4,852,066
Other receivables	Loans and receivables	Amortised cost	104,861	(2,595)	102,266
Trade receivables	Loans and receivables	Amortised cost	265,099	(547)	264,552
			18,522,067	(58,204)	18,463,863

v. ECL impact on exposure as at 1 January 2018

All exposure as at 1 January 2018 been classified as stage 1.

	Stage 1	Total
Exposure subject to ECL 1 January 2018		
Cash and bank balances	4,374,231	4,374,231
Balance with Central Bank of Bahrain	3,822,642	3,822,642
Balance with other central banks	854,806	854,806
Deposits with banks	4,248,362	4,248,362
Treasury bills	4,852,066	4,852,066
Trade receivables	265,099	265,099
Other receivables	104,861	104,861
	18,522,067	18,522,067

ECL as of 1 January 2018

Cash and bank balances	(2,082)	(2,082)
Balance with Central Bank of Bahrain	-	-
Balance with other central banks	(407)	(407)
Deposits with banks	(52,573)	(52,573)
Treasury bills	-	-
Trade receivables	(547)	(547)
Other receivables	(2,595)	(2,595)
	(58,204)	(58,204)

Notes

To the 31 December 2018 Consolidated Financial Statements (Bahraini Dinars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(B) IFRS 15 - Revenue from Contracts with Customers

IFRS 15 "Revenue from Contracts with Customers" establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The new Standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 January 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are open as at 1 January 2018.

i. Changes in Accounting Policies and significant estimates and Judgements

Under IFRS 15, revenue is recognised when a customer obtains control of the goods and services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below.

Revenue recognition

Revenue arises mainly from provision of services relating to debit and credit card personalisation and hosting and ATM acquiring services. In addition, the Group's revenue include sale of plastic cards and stationery.

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

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

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

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

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

Initial set-up costs

In preparing to perform an IT services contract, the Group incurs costs in discussing and agreeing on the service requirements. These costs represent between 1% to 2% of the total labour and material costs. As these costs arise from activities that the Group must undertake to fulfil a contract but do not themselves transfer a good or service to a customer, IFRS 15 does not consider them to be a performance obligation. Accordingly, these costs are excluded from the measure of performance under contract.

Revenue from provision of services relating to debit and credit card personalisation, hosting and ATM acquiring services

The Group provides services relating to debit and credit card personalisation, hosting and ATM acquiring services. Revenue from these services is recognised based on unit produced. Customers are invoiced on the 20th day of each month. Any amounts remaining unbilled at the end of a reporting period are presented in the statement of financial position as accounts receivable as only the passage of time is required before payment of these amounts will be due.

The Group also provides other related services. Revenue from these services is recognised on a milestones reached as the services are provided. Customers are invoiced 50% upon signing of the contract and the remaining upon completion of the work.

Notes

To the 31 December 2018 Consolidated Financial Statements (Bahraini Dinars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from sale of plastic cards and stationery

Revenue from the sale of plastic cards or stationery is recognised when or as the Group transfers control of the assets to the customer. Invoices for goods transferred are due upon receipt by the customer.

Significant management judgement in applying accounting policies and estimation uncertainty When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Recognition of service contracts revenue

As revenue from provision of other services relating to debit and credit card personalisation, hosting and ATM acquiring services is recognised over time, the amount of revenue recognised in a reporting period depends on the extent to which the performance obligation has been satisfied. Recognising revenue also requires significant judgment in determining the milestones reached.

Estimation uncertainty

Recognised amounts of revenues and related receivables for provision of services relating to debit and credit card personalisation, hosting and ATM acquiring services reflect management's best estimate of milestones reached.

Nature of goods /service	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Debit and credit card personalisation, hosting and ATM acquiring services	The Group provides services relating to debit and credit card personalisation, hosting and ATM acquiring services. Revenue from these services is recognised based on unit produced. Customers are invoiced on the 20 th day of each month. Any amounts remaining unbilled at the end of a reporting period are presented in the statement of financial position as accounts receivable as only the passage of time is required before payment of these amounts will be due. The Group also provides other related services. Revenue from these services is recognised on a milestones reached as the services are provided. Customers are invoiced 50% upon signing of the contract and the remaining upon completion of the work.	The Company has adopted 5-step model for recognition of revenue.
Sale of plastic cards and stationery	Revenue from the sale of plastic cards or stationery is recognised when or as the Group transfers control of the assets to the customer. Invoices for goods transferred are due upon receipt by the customer. Significant management judgement in applying accounting policies and estimation uncertainty When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.	The Company has adopted 5-step model for recognition of revenue.
Service contracts revenue	As revenue from provision of other services relating to debit and credit card personalisation, hosting and ATM acquiring services is recognised over time, the amount of revenue recognised in a reporting period depends on the extent to which the performance obligation has been satisfied. Recognising revenue also requires significant judgment in determining the milestones reached.	The Company has adopted 5-step model for recognition of revenue.

ii. Impact of adopting IFRS 15

The impact from the adoption of IFRS 15 as at 1 January 2018 has resulted in increase in retained earnings by BD 11,096 as a result of earlier recognition of revenue from card services.

The following tables summarise the impacts of adopting IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income for the year then ended for each of the line items affected. There was no material impact on the Group's consolidated statement of cash flows for the year then ended.

Notes

To the 31 December 2018 Consolidated Financial Statements (Bahraini Dinars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impact on the consolidated statement of financial position:

As at 31 December 2018	As reported	IFRS 15 adjustments	Amounts without adoption of IFRS 15
Non-current assets	3,321,420	-	3,321,420
Current assets			
Trade receivables	241,562	-	241,562
Other current assets	19,234,729	-	19,234,729
Total current assets	19,476,291	-	19,476,291
Total non-current liabilities	146,364	-	146,364
Current liabilities			
Deferred income	70,590	55,541	15,049
Other current liabilities	1,758,574	-	1,758,574
Total current liabilities	1,829,164	55,541	1,773,623
Net Assets	20,822,183	55,541	20,877,724
Equity			
Retained earnings	15,090,899	(55,541)	15,146,440
Other reserves	5,731,284	-	5,731,284
Total equity	20,822,183	(55,541)	20,877,724

Impact on the consolidated statement of profit or loss and other comprehensive income.

31 December 2018	As reported	IFRS 15 Adjustments	Amounts without adoption of IFRS 15
Revenue			
Card services	722,388	(55,541)	777,929
Other revenue items	9,137,462	-	9,137,462
Total operating revenues	9,859,850	(55,541)	9,915,391
Operating expense			
Cost of provision of services	1,312,992	-	1,312,992
Other expense items	5,394,783	-	5,394,783
Total operating expense	6,707,775	-	6,707,775
Operating profit	3,152,075	(55,541)	3,207,616
Profit for the period	3,425,743	(55,541)	3,481,284
Total comprehensive income	3,425,743	(55,541)	3,481,284

Notes

To the 31 December 2018 Consolidated Financial Statements (Bahraini Dinars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of consolidation

i. Subsidiary

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

ii. Loss of control

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

iii. Transactions eliminated on consolidation

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

c) Revenue recognition

Applicable from 1 January 2018

Refer to note 3 (A) and (B)

Applicable before 1 January 2018

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

i. Provision of services

The Group 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.

d) 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.

Notes

To the 31 December 2018 Consolidated Financial Statements (Bahraini Dinars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Furniture, equipment and software (Continued)

Depreciation and amortization

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

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

System hardware	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 and amortization are charged to profit or loss.

e) Cash and cash equivalents

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

f) Trade receivables

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

g) Trade and other payables

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

h) Impairment

Applicable from 1 January 2018

Refer to note 3 (A) and (B)

Applicable before 1 January 2018

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.

i) 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.

j) Dividends

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

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

Notes

To the 31 December 2018 Consolidated Financial Statements (Bahraini Dinars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Foreign currency transactions

i. Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional' currency). The consolidated financial statements are presented in Bahraini Dinars, which is the Group's functional and presentation currency.

ii. Transactions in foreign currencies are translated to Bahraini dinars, at the foreign exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to Bahraini dinars at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated into Bahraini dinars at the foreign exchange rates ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in profit or loss.

m) Critical accounting estimates and judgments in applying accounting policies

The preparation of these consolidated financial statements in conformity with IFRSs require management to make judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Applicable from 1 January 2018

Refer to note 3 (A)

Applicable before 1 January 2018

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.

n) Statutory reserve

The Bahrain Commercial Companies Law 2001 requires 10 percent of net profit to be appropriated to a statutory reserve, which is not normally distributable except in accordance with Article 224. Appropriations may cease when the reserve reaches 50 percent of the paid-up share capital.

4. FURNITURE AND EQUIPMENT

	System hardware	Computers	Furniture, Fixtures, Office Equipment & Vehicle	2018 Total	2017 Total
Cost					
At 1 January	3,048,823	150,667	155,808	3,355,298	2,796,604
Additions	85,445	320,483	120,522	526,450	570,551
Disposals	(216,548)	(3,997)	(50,668)	(271,213)	(11,857)
At 31 December	2,917,720	467,153	225,662	3,610,535	3,355,298
Depreciation					
At 1 January	1,923,908	145,386	122,292	2,191,586	1,880,532
Disposals	(216,548)	(3,997)	(50,587)	(271,132)	(10,427)
Charge for the year	344,375	33,972	26,061	404,408	321,481
At 31 December	2,051,735	175,361	97,766	2,324,862	2,191,586
Carrying value at 31 December	865,985	291,792	127,895	1,285,673	1,163,712

Notes

To the 31 December 2018 Consolidated Financial Statements (Bahraini Dinars)

5. SYSTEM SOFTWARE

	2018	2017
At 1 January	1,116,762	1,316,182
Additions	384,040	275,994
Disposal	(2,122)	-
Amortised during the year	(450,407)	(475,414)
At 31 December	1,048,273	1,116,762

6. TREASURY BILLS

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

7. TRADE RECEIVABLES

	2018	2017
Gross receivables	242,109	265,099
Less: Impairment allowance	(547)	-
	241,562	265,099

The movement on impairment allowance is as follows:

	2018	2017
At 1 January (note 3a)	547	25,165
Charge for the year	-	-
Write-off for the year	-	(25,165)
At 31 December	547	-

8. PROVISION FOR EMPLOYEES' LEAVING INDEMNITIES

The movement in the provision is as follows:

	2018	2017
At 1 January	128,166	102,778
Add: charge for the year	22,298	25,388
Less: paid during the year	(4,100)	-
At 31 December	146,364	128,166
Total number of employees at 31 December:		
Bahrainis	101	78
Expatriates	6	5
	107	83

For the year ended 31 December 2018, the Group's Gosi contribution for employees amounted to BD 192,296 (2017: BD 144,629). 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 95,692 (2017: BD 67,156), and the balance of the saving scheme bank account as at 31 December 2018 amounted to BD 734,837 (2017: BD 314,690).

Notes

To the 31 December 2018 Consolidated Financial Statements (Bahraini Dinars)

9. TRADE PAYABLES AND ACCRUED EXPENSES

	2018	2017
Trade payables	230,880	81,212
Payables for card processing	266,737	166,284
Accrual for bonus	403,700	291,102
Accrual for directors' remuneration	110,000	120,000
Other accrued expenses	525,287	417,689
	1,536,604	1,076,287

10. DEFERRED INCOME

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

11. SWITCH INCOME

	2018	2017
Bahrain ATM	3,131,203	2,729,450
Bahrain POS	2,305,588	1,979,681
GCC ATM	592,084	587,826
GCC POS	118,345	47,812
Telecom bill payment	329,332	294,963
Payment gateway	269,041	215,093
Internet Banking	1,333	41,477
AMEX	50,992	50,454
Direct debit services	5,796	12,780
	6,803,714	5,959,536

12. CARD SERVICES

A. Disaggregation of revenue

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

	31 December 2018
Revenue by major products	
Debit and credit card program	671,800
Card personalisation program	50,588
	722,388
Revenue by timing of recognition	
Goods transferred at a point in time	670,146
Services transferred over time	52,242
	722,388

Notes

To the 31 December 2018 Consolidated Financial Statements (Bahraini Dinars)

12. CARD SERVICES (Continued)

B. Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	31 December 2018	1 January 2018*
Receivables and contract assets (included in trade receivables)	-	27,656
Contract liabilities (included deferred income)	55,541	16,560
Net cumulative effect of adopting IFRS 15	(55,541)	11,096

* The Group recognised the cumulative net effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at 1 January 2018.

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. The contract liabilities primarily relate to the advance consideration received or receivable from customers for which revenue is recognised over time as the related performance obligations are fulfilled.

For the period ended 31 December 2018, revenue includes BD 6,852 included in the contract liability balance at the beginning of the period.

13. COSTS OF PROVISION OF SERVICES

	2018	2017
System maintenance	471,835	417,266
Cost of card services	290,781	380,870
License and support	330,780	283,258
Communication lines	160,895	113,604
GCC NET telecom charges	18,939	19,374
Other processing costs	39,762	19,249
	1,312,992	1,223,621

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

14. OTHER OPERATING EXPENSES

	2018	2017
Occupancy costs	201,983	169,905
Directors' remuneration	110,000	120,000
Travel and Conferences	77,936	58,385
Public relation and marketing	458,490	159,687
Legal and professional expenses	413,786	95,682
Directors' sitting fees	100,200	60,000
Telephone and fax	9,182	9,781
Entertainment	39,489	23,041
Other expenses	144,109	104,013
	1,555,175	800,494

Notes

To the 31 December 2018 Consolidated Financial Statements (Bahraini Dinars)

15. INTEREST INCOME

	2018	2017
Interest on treasury bills	232,261	139,992
Interest on bank deposits	18,308	105,717
Interest on current accounts	8,678	5,321
	259,247	251,030

16. RELATED PARTY TRANSACTIONS

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

a) Transactions with key management personnel

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

	2018	2017
Salaries and short term employee benefits	738,824	501,830
Long term employee benefits	99,276	63,962
Directors' remuneration	110,000	120,000
Directors' sitting fees	100,200	60,000
	31 December 2018	31 December 2017
Provision for employees' leaving indemnities	146,364	128,166

b) Balances with and from related parties

	2018		
	Shareholders	Other related party	Total
Bank balances	8,440,445 (i)	-	8,440,445
Deposits with banks	1,964,161 (i)	-	1,964,161
Trade receivables	48,065 (i) (ii)	12,371 (ii)	60,436
Deferred income	2,263 (iii)		

	2017		
	Shareholders	Other related party	Total
Occupancy Costs	184,101 (iv)	-	184,101

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

	2017		
	Shareholders	Other related party	Total
Occupancy Costs	168,187 (iv)	-	168,187
Cost of card services	-	380,870 (ii)	380,870

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16. RELATED PARTY TRANSACTIONS (Continued)

c) Balances with and from related parties (Continued)

- The Group has dealings with several banks in Bahrain who are also shareholders of the Group. These transactions are in the nature of provision of services in relation to payment systems, internet banking, card services and Credit Reference Bureau. Bank balances and fixed deposits are kept with two of the major shareholders of the Group.
- 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 agreement between Network International ("NI") the shareholder of 49% of the Subsidiary (up to November 2017), the Subsidiary has outsourced work related to ongoing projects to NI. In consideration of the services provided by NI, the Subsidiary paid the agreed cost of providing such services to NI.
- Deferred income represents advance billing to shareholders where the services are yet to be provided by the Company. It is recognised as income when the related services are performed.
- The Group in the normal course of business occupies offices on various floors of NBB tower which is owned by a shareholder of the Group.

Certain transactions were approved by the Board of Directors under Article 189(b) of the Commercial Companies Law in the financial year ended 31 December 2018 where the chairman, directors or managers had a direct or indirect interest in the contracts or transactions which have been approved by the Board.

17. CAPITAL COMMITMENTS

Capital commitments as on 31 December 2018 by the Group are BD 1,506,309 (2017: BD 850,580).

18. 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:

	2018	2017
Cash dividends	1,866,240	2,332,800
Statutory reserve	-	13,105
Charitable donation	171,287	214,532
General reserve	342,574	429,064

The Board has recommended the distribution of cash dividends of BD 1,866,240 from the retained earnings. Further, the Board has also recommended BD 106,875 as the directors' remuneration for the year 2018 (2017: 110,000).

19. 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 (2018)	Proportion of ownership and voting power held by the Group (2017)	Principal activities
Sinnad S.P.C	Bahrain	100%	100%	Debit and credit cards hosting and cards personalisation services

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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, trade receivables, and other receivables.

Financial liabilities consist of payables and accrued expenses.

Overview

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

- credit risk
- liquidity risk
- market risk
- Operational risk

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

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

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

a) Credit risk

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

	2018	2017
Bank balance	8,440,445	4,373,939
Deposits with banks	1,964,161	4,248,362
Treasury Bills	4,788,738	4,852,066
Balance with Central Bank of Bahrain	2,032,378	3,822,642
Balance with other central banks	1,851,319	854,806
Trade receivables	242,109	265,099

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20. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

The Group's credit risk on bank balances and deposits with banks 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.

Ageing of trade receivables:

	2018	2017
0 - 30 days	165,773	129,705
31 - 180 days	62,025	137,146
181 - 365 days	14,311	5,073
Gross receivables	242,109	271,924
Impairment allowance	(547)	-
	241,562	271,924

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

The past due and impaired receivables amounted to BD Nil (2017: BD Nil). The Group believes that amounts past due by more than 30 days amounting to BD 24,527 (2017: BD 142,219), are not impaired and are collectible in full, based on historic payment behaviour and since these amounts are due from reputed customers. The Group has recognised allowance for impairment of BD 547 against trade receivables in opening retained earnings as at 1 January 2018 on transition to IFRS 9.

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

b) Liquidity risk

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

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

	Carrying Amount	Contractual cash flows	6 months or less
2018			
Trade payables and accrued expenses	1,536,604	1,536,604	1,536,604
Payable for acquisition of subsidiary	221,970	221,970	221,970
	1,758,574	1,758,574	1,758,574
	Carrying Amount	Contractual cash flows	6 months or less
2017			
Trade payables and accrued expenses	1,076,287	1,076,287	1,076,287
Payable for acquisition of subsidiary	443,940	443,940	443,940
	1,520,227	1,520,227	1,520,227

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20. FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk

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

i. Currency risk

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

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

ii. Interest rate risk

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

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

	2018	2017
Effective interest rate on short-term deposit and treasury bills (BHD)	2.92%	2.80%

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

d) Operational risk:

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

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

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 17 percent in 2018 (2017: 22 percent).

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

Fair value and classification of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. Differences may therefore arise between book values under the historical cost method and fair value estimates.

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

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

At 31 December 2018, all the Group's financial assets and financial liabilities have been classified and measured at amortised cost.

21. COMPARATIVES

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