



Transforming.

BENEFIT Annual Report 2019



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His Royal Highness
Prince Khalifa bin Salman
Al Khalifa

The Prime Minister of
the Kingdom of Bahrain



His Majesty
King Hamad bin Isa
Al Khalifa

King of the Kingdom
of Bahrain



His Royal Highness
Prince Salman bin Hamad
Al Khalifa

The Crown Prince, Deputy
Supreme Commander and
First Deputy Prime Minister
of the Kingdom of Bahrain

Leadership vision

“In light of our serious endeavors towards a modern, knowledge based economy, we direct the government to undertake the development of a comprehensive national plan to ensure that we are fully prepared to meet the needs of the digital economy, by adopting and employing artificial intelligence technologies in the production and service sectors, through the establishment of the necessary systems and technical frameworks, as well as through encouraging quality investments, in order to guarantee the maximum benefit to our national economy”.

His Majesty

King Hamad bin Isa Al Khalifa

Second session of 5th Legislative Term

13 October 2019



His Majesty King Hamad bin Isa Al Khalifa

Vision, Mission and Profile

VISION

Lead and provide an effective, innovative, and value adding shared platform services to our stakeholders of the financial and other sectors in the Kingdom of Bahrain and the region.

MISSION

Provide and invest in innovative payment capabilities, information management solutions, business process outsourcing services, and build key business alliance that add value through the financial /banking and other sectors' stakeholders.

PROFILE

The BENEFIT Company has played a critical role in enabling Bahrain to be recognised for its business friendly credentials and for its status as an acknowledged economic power-house. BENEFIT 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 stake-holders.

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.

The original 17 shareholders have now become 13 as a result of mergers and acquisitions in the retail banking sector.

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

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), BenefitPay as a national e-wallet across Bahrain and Know Your Customer Electronically(EKYC).

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.).

Introduction

A Transformed Landscape. A Culture of Change.

The spirit of change. A passion for renewal. The power to release creative energies. Together they unleash the driving forces behind some of the most monumental social and economic reforms and in the process form the key catalysts for transforming products and processes into opportunities for growth.

The Kingdom of Bahrain's emergence as a regional financial hub was the outcome of a change mindset. It began with a directive to diversify the economy, and continued on a path that helped create an equitable environment for the banking and financial industry to thrive. Today the sector remains a leader in innovation, sets new standards in excellence and performance, and adapts quickly to emerging trends in technology and financial services.

Since 1997, the BENEFIT Company's operations have been closely aligned with Bahrain's economic vision, and remains committed to play its part in bolstering Bahrain's credentials as a business-friendly nation. Towards this end, the company has prepared a clear road map for the future to help usher in a cashless society through investments in digital economy deliverables; as well as in placing speed, ease and convenience as a defining feature in each and every development.



Awarded as the
**Fastest Growing Electronic
Payment Solution**
International Finance Awards 2019



**The spirit of change.
A passion for renewal.
The power to release
creative energies.**

Growth trends

BENEFIT 's products and services continue making huge strides in delivering solutions that work for a cross section of Bahrain's population from banking and financial services organisation to governmental ministries, public sector organisations, private companies and individual customers.

BenefitPay Transactions

6 million
Transactions

Registered Users

300 K
BenefitPay recorded 300K
registered users

EFTS Transactions

15.39 million
EFTS Volume of Transactions

Total Value of EFTS

13.55 billion
Total Value of EFTS over all channels

Credit Reports

378,000
Benefit issued total of 378,000 Credit
Reports to its members and clients



82%

● —————

Growth rate of
EFTS Volume of
transactions
(from 2018)



18%

● —————

Growth rate of
Total Value of EFTS
over all channels
(from 2018)

Chairman's Statement

Mohammed Ebrahim Al Bastaki, Chairman of the Board

The fundamental pillars of our success story have been shaped by the trust we have earned, and the relationships we have built with various stakeholders in the industry.



Mohammed Ebrahim Al Bastaki Chairman of the Board

In the past twenty years, the BENEFIT Company has evolved into a dynamic and forward looking organisation contributing significantly to the growth and development of the banking and financial services sector. BENEFIT's prominence as a leader and pioneer in the field of fintech has paved the way towards shaping the Kingdom of Bahrain's march towards a cashless society, and in the process, playing a key role in setting up the nuts and bolts of the digital economy.

Since inception in 1997, BENEFIT has consistently demonstrated the ability to achieve excellence in developing a diverse portfolio of advanced products and services through innovation, competence and timely delivery of the highest quality standards.

The fundamental pillars of our success story have been shaped by the trust we have earned, and the relationships we have built with various stakeholders in the industry. Together, they have strengthened our commitment to the ideals enshrined in

Bahrain's national priorities, and prompted our determination to do what we can to continue boosting Bahrain's reputation as the region's financial hub.

In 2019, we were able to stay true to this commitment by aligning our operational goals with the new opportunities being made available, and investing wisely in technological developments that address emerging business trends and new customer expectations. The achievements this year were the culmination of processes which began in the last decade when a decision was made to extend our vision beyond cards services to cover financial transactions, customer information services and business outsourcing.

These three pillars have shifted BENEFIT's role from being a basic card switching transactions company to a state of the art shared business platform serving both the financial and non-financial sectors. This new emphasis has given BENEFIT the added incentive to steer the economy towards a cashless society, to pursue sustainable innovation, and to create long term value to all our stakeholders.

In addition, there have been substantial moves towards tapping into the lifestyle products segment, and ensuring that BENEFIT's offerings are closely integrated into the day to day activities of the average customer. The phenomenal success of the national e-wallet mobile app BenefitPay clearly demonstrates that we are on the right track.

In the last year itself, membership exceeded 300,000, and new members continue to be added at a fast pace.

The goodwill and customer loyalty that we have generated through the success of this best seller is due to our focus on creating world class products that play a transformative role in the economy. It has also laid the foundation for the adoption and growing popularity of BenefitPlus and BenefitData. The former is the lifestyle platform that focuses on mobility, food, shopping, finance, marketplace and serves to enrich the customer experience for our clients. BenefitData on the other hand, deals with credit services and other non-credit services and thus contribute towards adding value to all that we present to our clients.

The increasing demand for digital payment solutions across wide section of Bahrain's population is also an encouraging trend pointing towards growing acceptance of a cashless society. However, challenges remain and despite the large numbers so far there still remains a large untapped market that hasn't pursued any digital economy tools. It is the reluctance of this section of the population that is largely responsible for the inability of digital payment solutions from reaching mainstream acceptance.

Our goal is to see everyone from the smallest trader to large retail outlets taking advantage of fintech solutions. However,

small traders still view digital economy with suspicion as they fear possibility of high costs, and are prone to be intimidated by the complex technology and complicated processes inherent in these tools.

The task before us is to focus on establishing trust and assuring customers of any concerns they may have. It is these steps that are crucial towards initiating behavioural change and acceptance. This task is also articulated in our current three year strategy where we have outlined our single minded focus on penetrating untapped markets, support measures towards creating a cashless society, and continue supporting fintech startups.

BENEFIT will continue to offer unparalleled value to our wide client base, but our main goal is to serve Bahrain's interest, and do what we can to strengthen the kingdom's reputation as a business friendly nation. It is for this reason, we believe in investing in technologies that power processes, automate transactions, and create the building blocks of a vibrant digital economy.

Today, across Bahrain, BENEFIT is at the forefront of reshaping the business environment through technology and innovation. However, at the root of BENEFIT's accomplishments are the talented Bahraini employees whose contribution helped in realising many of the company's strategic goals. Our Bahrainisation records have remained consistently high, and the company continues to serve as a magnet for

talented professionals. We thank them for their role in our success. They are our true transformation agents

Finally, we appreciate the continuing support we receive from the Central Bank of Bahrain, and are thankful to them for the work they do in setting up a strong regulatory environment for the banking and financial services sector. We are also thankful to each and every member bank and client for their trust, and the continuing encouragement of our shareholders.

We are positive that the achievements of 2019 will lay a strong foundation for an even more prosperous 2020.

Mohammed Ebrahim Al Bastaki

Chairman

BENEFIT is transforming to

Address National priorities

A bold economic vision lies at the heart of the Kingdom of Bahrain's credentials as a beacon of free trade. Today, this vision has served as a springboard for local, regional and global businesses to expand their presence, explore new marketing territories and thrive.

With unprecedented opportunities being made available for investments in manufacturing, infrastructure and the service sectors, the banking industry remains well poised to serve the business community with a suite of financial solutions to energise the economy and generate growth. At BENEFIT, we provide the necessary tools required to help digitise these transactions, simplify processes, and translate national priorities into action plans for a strong, stable and inclusive business environment.

Fawri

7.09 million

Transactions Volume

12.73 billion

Total Value over all channels





**We are helping to
strengthen Bahrain's
national priorities**



CEO Statement

Abdulwahed AlJanahi, Chief Executive Officer

The BENEFIT Company continues to remain proud of the role we play in the economy as well as in supporting the banking and financial industry in achieving their customer satisfaction goals.



Abdulwahed AlJanahi, Chief Executive Officer

The year 2019 was transformative for the BENEFIT Company. It was a year when steps taken in the last few years in giving tangible shape towards ushering a digital economy became part of the reality for individuals and organisations across the Kingdom of Bahrain.

The changes that took place brought into mainstream acceptance some of the breakthrough developments that BENEFIT has been championing -these include- taking decisive steps in contributing towards a cashless society, serving the vast untapped market that hasn't been drawn towards

the benefits of digital economy as yet, and finally, supporting the small and medium sector enterprises in developing their business.

At the heart of this digital economy revolution, the BENEFIT Company has played a role in dismantling some of the traditional and physical modes of cash and its usage. To do this, we have had to negotiate through changes in habit and behaviour as well as in pushing through innovative new technologies and being supportive about their large scale adoption across diverse demographic segments.

x3

Year strategy now in place after a successful previous three years

96%

Our Bahrainisation rates continue to be high at over 96 per cent

The driving force behind this movement has been the desire to strengthen Bahrain's reputation as a nation where it is much easier and more convenient to do business. In doing so, we once again, worked towards upholding Bahrain's credentials as a regional financial hub where such progress in technology and processes would be expected.

The BENEFIT Company continues to remain proud of the role we play in the economy as well as in supporting the banking and financial industry in achieving their customer satisfaction goals.

We remain committed to strengthening the three pillars that guide our operations, and have helped in inspiring all that we do, namely, connecting financial transactions, customer information depository, and business outsourcing. These three pillars are foundational to the BENEFIT Company's success and have helped in charting the growth trajectory of our organisation in the last 22 years.

As was the case last year, we continued on the path of embracing both financial and non-financial institutions as our customers. This was a paradigm shift in the way we view our operations, and as a result, some of our products and services were revamped to reflect this change.

BENEFIT Plus and BENEFIT Data have been newly defined product streams that take into account this new strategy. The former is seen as a lifestyle platform focusing on innovative electronic payments, and revolves around mobility, food, e-commerce, finance and the marketplace. There is an added emphasis on enhancing the technological infrastructure available as well as supporting our partners in accelerating their payment services.

On the other hand, BENEFIT Data offers insights on customer data for credit and non-credit services using sophisticated artificial intelligence protocols. The end result is that our partners are better able to serve their customers when it comes to responding to their enquiries, quicker processing of their loans and also in facilitating KYC services.

BENEFIT Pay the National Electronic Wallet Payment System continued to gain popularity amongst both individual customers and merchants. Its ease of usage, simplicity and convenience have enabled record adoption in the last financial year from 51,000 registered users in the beginning of the year to a phenomenal 300,000 at the end of 2019.

As far as the untapped market was concerned, there are plans to bring in an additional 3000 merchants into the BENEFIT

Pay affiliate programme. We are keen on extending the facility to merchants of all types: from corner shops to large shopping centres and more. The idea is to ensure that BENEFITPay's popularity covers all segments of the economy and helps in ushering a cashless society.

Another success story in realising this goal has been the continued increase in the usage and adoption of Electronic Fund Transfer Systems such as Fawri+, Fawri and Fawateer. The volume of business in the last financial year leaped from 8.4 to 15.3million transaction in 2019.in terms of value, Fawri+ on BenefitPay broke some records too, from BD14 million to high of BD328 million at the end of the year.

Amongst other achievements, we are pleased to advise that the e-KYC programme was successfully launched with 27 banks already participating in this platform. For customers there was no need to be physically present in the bank as they could transmit the required data from the comfort of their home or office.

The success of the eKYC programme was the result of a powerful collaboration between BENEFIT, Central Bank of Bahrain (CBB), Information & eGovernment Authority (iGA) and Economic Development Board (EDB) as part of FinTech ecosystem development.

This collaboration also found an echo in the continued success of the Bahrain Credit Reference Bureau (BCRB) as four more banks have integrated to ensure smooth and seamless processing of online credit services while two other banks are also able to provide loans in a few seconds based on information available through the bureau.

In terms of the financial results for 2019, I am also pleased to say that the year gone by has been proved to be a success in delivering tangible results. Growth rate in 2019 was -3 per cent compared to -21 per cent in 2018. Net Income for the year was BD 3,327,998 (USD 8,849,152) compared to BD 3,425,743 (USD 9,109,056) in 2018.

These results point to strong fundamentals that are at the heart of our operations. They also provide the springboard for our growth plans for the year ahead.

The true measure of BENEFIT's success can be measured by the skilled workforce that have contributed towards the company's accomplishments. We have invested heavily in training and development to ensure that the knowledge quotient amongst our employees remains consistently high, and they are able to deliver on performance. It is also a matter of pride that our Bahrainisation rates continue to be high at over 96 per cent, and Bahraini staff have demonstrated themselves to be innovative, globally competitive and solutions oriented.

Finally, I would like to thank the Chairman and the Board of Directors for their support and encouragement. We are thankful for their help in articulating the company's vision and mission through tangible action plans.

I am also thankful to our employees for their hard work and dedication to make 2019 another successful year in BENEFIT's history. I would like to express my appreciation to Central Bank of Bahrain, all our Shareholders, the Members and all other Partners.

Abdulwahed AlJanahi
Chief Executive Officer

BENEFIT is transforming to

Simplify payments method

The digitisation of the retail experience has brought about a fundamental change in the way customers interact with retailers. The traditional method of using tangible currency or approaching a brick and mortar establishment is rapidly giving way to the adoption of digital payment options or visits to online outlets for majority of the purchasing activity.

BENEFIT is at the centre of this new trend and has made available new and innovative products and services that are paving the way towards building a cashless society. Our philosophy is to simplify the entire payment process for customers by diversifying and automating the tools used for making financial transactions, and as a result, transforming the exercise into an empowering experience for our customers.

Fawateer

1.99 million

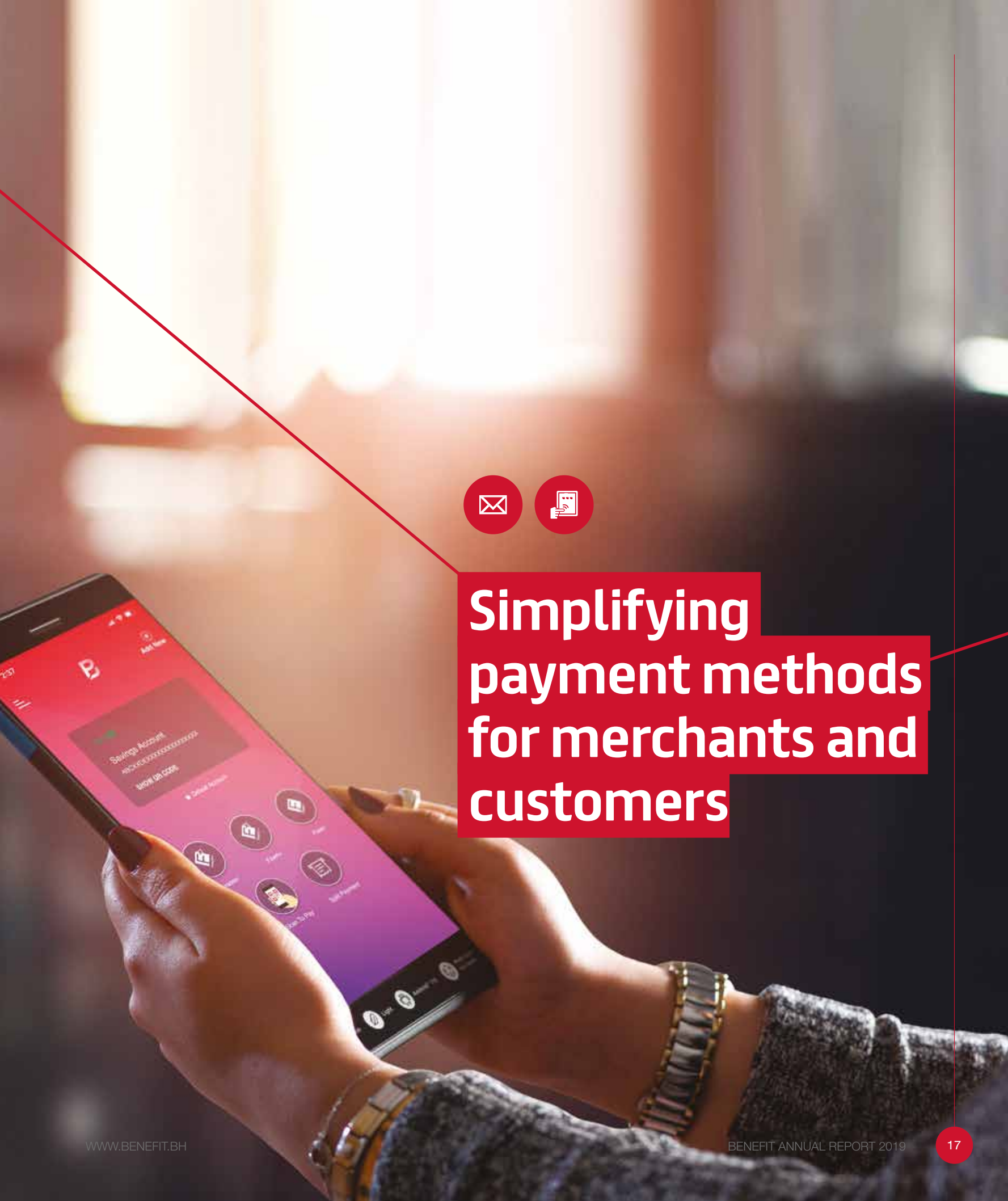
Transactions Volume

281.89 million

Total Value over all channels

236

Members



Simplifying payment methods for merchants and customers

Board of Directors

Our strong leadership team combines the skills and experience needed to deliver on BENEFIT's ambitious strategic targets.



Mohamed Ebrahim Al Bastaki
Chairman



Ahmed Abdulrahim
Vice-Chairman



Tala Abdulrahman Fakhro
Non-Executive Director



Dr. Adel Abdulla Salem
Executive Director



Gurumurthy Jayaraman
Executive Director



Khalid Abi Khalil
Executive Director



Abdulrazaq Abdulkhaleq
Non-Executive Director



Matthew John Deakin
Independent Director



Hadyah Mohammed Fathalla
Independent Director



Yousif Rashid Al Fadhel
Central Bank of Bahrain Observer

Products and Services

Our Services in the Kingdom:

- Automated Teller Machine (ATM)
- Point of Sale (POS)
- Bahrain Credit Reference Bureau (BCRB)
- Bahrain Cheque Truncating System (BCTS)
- Electronic Fund Transfer System (EFTS)
- BenefitPay
- Know Your Customer Electronically - (E-KYC)
- Payment Gateway
- Tele Bill Payment

Our Services in GCC:

- 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).

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.

Know Your Customer Electronically (e-KYC):

In line with Bahrain digital transformation direction, the National eKYC (Know Your Customer Electronically) platform, the first of its kind in the region, was launched by BENEFIT in 2019 to enable Financial Institutions to digitally authenticate and verify the customer identity, retrieve and process the KYC data for both Individual and Corporate customers. The service facilitates data sharing among financial institutions over the blockchain for straight through processing and enhanced customer experience while complying with the regulatory due diligence requirement for onboarding and maintaining customer's KYC data. It is a successful partnership between the private and public sector deployed utilizing the latest cloud computing technology.

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.

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.

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.

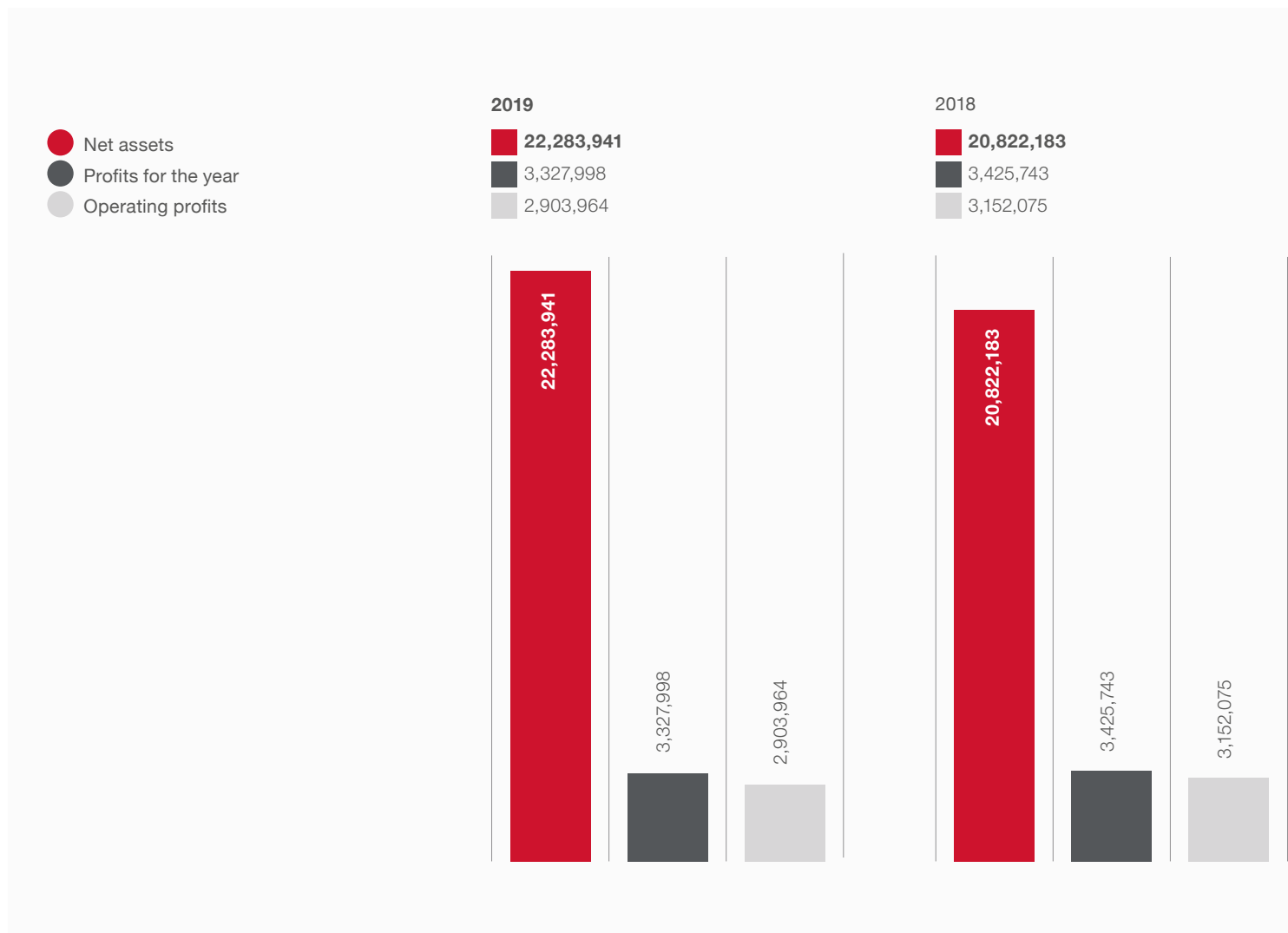
5 years growth

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.

2019 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	2015	2016	2017	2018	2019
Operating Profits	3,090,964	3,623,188	4,103,987	3,152,075	2,903,964
Profits for the Year	3,215,050	3,768,664	4,355,017	3,425,743	3,327,998
Net Assets	16,369,573	18,271,997	19,776,348	20,822,183	22,283,941

2017

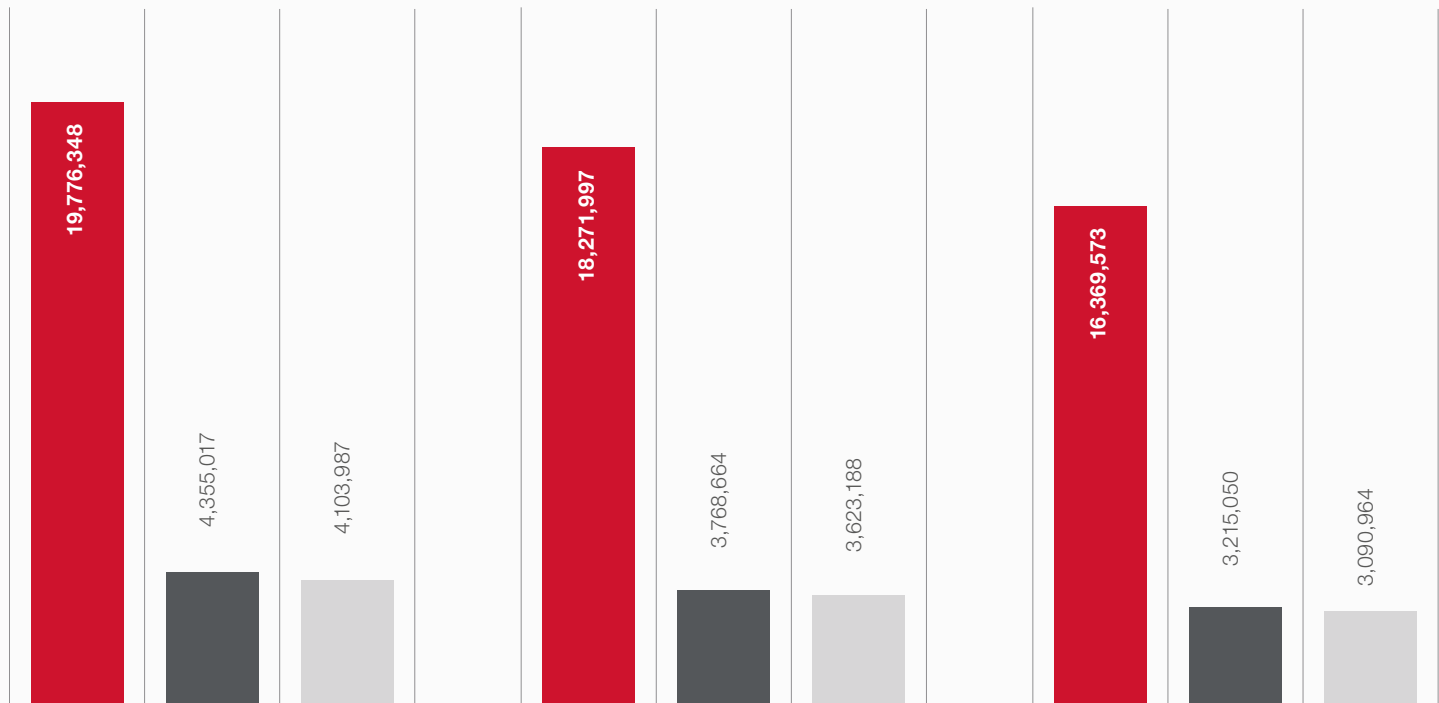
19,776,348
4,355,017
4,103,987

2016

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

2015

16,369,573
3,215,050
3,090,964



BENEFIT is transforming to

Enrich customer experience

The business environment is evolving rapidly. Change is taking place so fast that many businesses struggle to keep pace with the developments. Technology is replacing many of the processes that were once conducted manually while new trends are impacting behaviour patterns. However, what remains unchanged is the need to enrich the customer experience, and ensure that each and every component of the business operations have been designed with customer satisfaction in mind.

BENEFIT shares the same goal when it comes to developing innovative products and services that have resulted in simple, smart and secure payment process for customers, and helped businesses with access to powerful data to support them in making the right decisions on behalf of their customers.

Fawri+

328.12 million

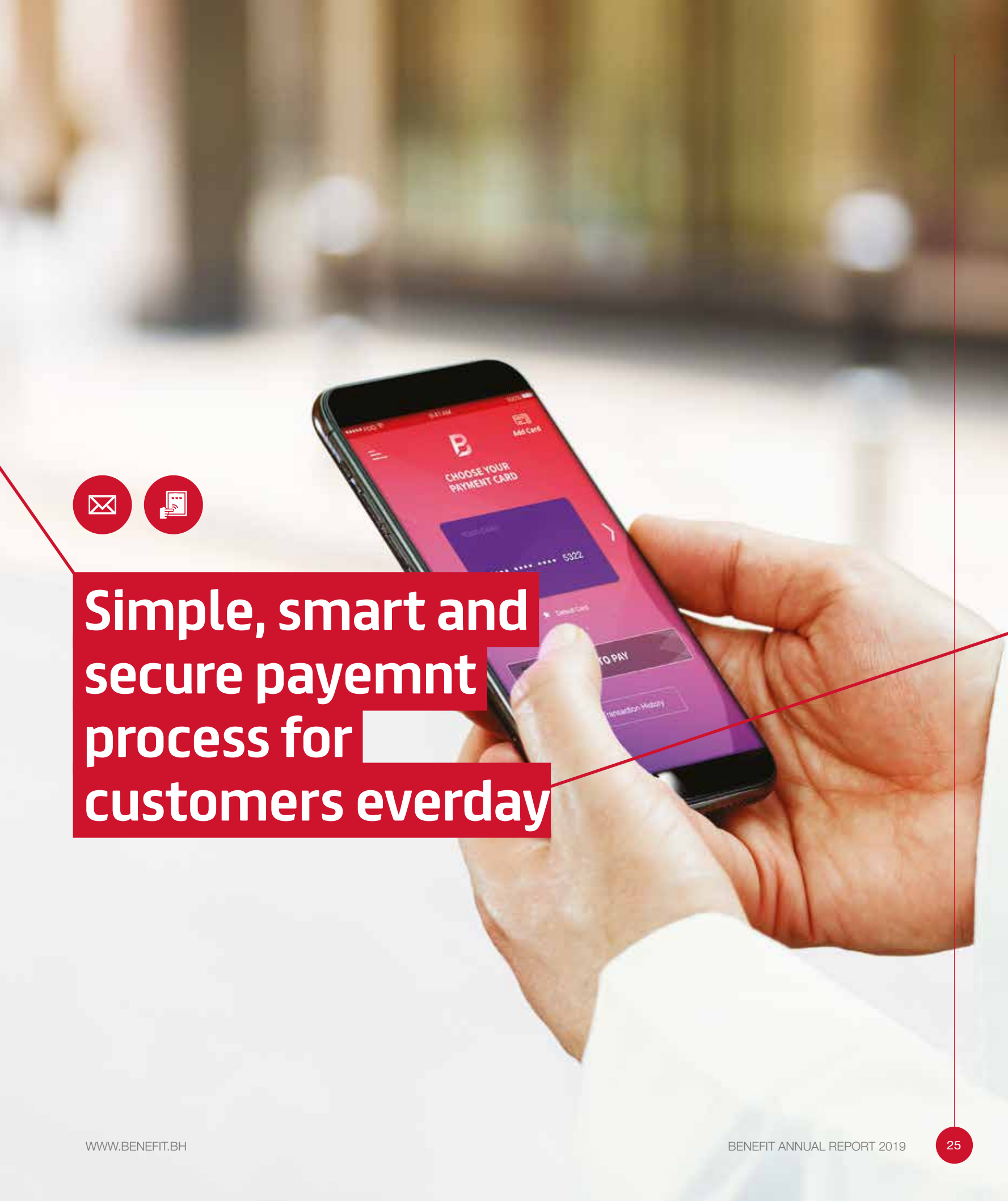
Total Value via BenefitPay

6.30 million

Transactions volume across all channels

542.46 million

Total Value over all channels



**Simple, smart and
secure payemnt
process for
customers everyday**

Management Team

Our strong leadership team combines the skills and experience needed to deliver on Benefit's ambitious strategic targets.



Abdulwahed AlJanahi
Chief Executive Officer

Joined the BENEFIT Company on April 10th 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 34 years of experience in the financial industry field covering marketing, telecom, and business development.



Yousif AlNefaiei
DGM 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 25 years of experience in the information technology and banking industries.



Reyadh Almeearaj
AGM 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 26 years of experience in information technology and telecommunications in banking industry.



Nezar Maroof
AGM 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 27 years of experience in Information Technology, Innovation, Business Process Re-Engineering & ICT Strategy Development.



Hessa Hussain
AGM of BCRB

Joined the BENEFIT Company in 15th February 2005 with a BSc in Computer Engineering from the American University of Sharjah and MBA from DePaul University. Miss. Hussain brings to BENEFIT a total of 15 years of experience in Credit Reference Bureau, in addition to 5 years in information technology.



Zainab Shukralla
Head of IT System & Application

Joined the BENEFIT Company on August 10th, 1997 with BSc in Computer Science from University of Bahrain. Mrs. Zainab has total of 23 years of experience in developing and supporting payment systems.



Layla Alqassab
Head of Finance

Joined the BENEFIT Company on January 2018, Mrs. Alqassab is a Fellow Member of the Association for Chartered Certified Accountants (ACCA) – MBA equivalent and a holder of BSc Accounting from Cardiff University, United Kingdom (First Class Honors). Mrs. Layla brings to BENEFIT a total of 14 years experience in big 4 firms and international banks.



Salah Al Awadhi
Head of Human Resources & Administration

Joined the BENEFIT Company on September 2015, with a CIPD level 5. Mr. Salah brings to BENEFIT a total of 11 years experience in Human Resources and Administrations in addition to 2 years in information technology.



Ali Beshara
Head of Risk & Information Security

Joined the BENEFIT Company on February 2019, with M.Sc. in Public Administration from Aix-Marseille University – France – and Bachelor of Computing from The University of Greenwich, and an associate diploma in Business Information Systems from The University of Bahrain. Mr. Ali is an Information technology professional with more than 20 years experience.



Mansoor AlAlwan
Head of Internal Audit

Joined the BENEFIT Company on September, 2018 with BSc in Computer Engineering and MSc in Business Administration from Ahlia University in the Kingdom of Bahrain. Mr. AlAlwan has a total of 9 years of experience in internal and external audits, IT advisory / consultancy, and IT management belonging to various industries across Bahrain and GCC..



Maryam Kamal
Compliance Assistant Manager

Joined the BENEFIT Company on February 2018, with M.Sc. in Finance from DePaul University, USA and International Diploma in Governance, Risk and Compliance. Mrs. Maryam has a total of 5 years experience in Risk and Compliance.

Corporate Governance

1. BENEFIT Corporate Governance Report 2019

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 Ministry of Industry, Commerce and Tourism, 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 implement 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 B.S.C.	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	Al Salam Bank	1,033	3.33%
8	Citibank N.A.	934	3.00%
9	Arab Bank Plc	311	1.00%
10	Future Bank B.S.C.	311	1.00%
11	Ithmaar Bank B.S.C.	311	1.00%
12	Habib Bank Limited	311	1.00%
13	United Bank Limited	311	1.00%

3. Board of Directors Information

3.1 Board Composition

The Board of Directors comprises of 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 for a 3 year term from August 2018 till AGM 2021. The Board consists of members with a wide range of experience in the banking and information technology sector.

Board Composition			
No.	Director Name	Position in the Board	Committee
1	Mohamed Ebrahim Al Bastaki	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 (resigned in June 2019)	Independent Director	Chairman of ExCom
10	Hadyah Mohammed Fathalla	Independent Director	Member of ExCom
11	Yousef Rashid 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.

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

Corporate Governance

(continued)

3.3 Directors' Profile

Director Name	Current Employment	Other Boards
Mohamed Ebrahim Al Bastaki	–	Board Member – Seef Properties, Fraiser Suites, SINNAD, SIO and Osool Company. Board Trustee – Kingdom University
Ahmed Abdulrahim Bucheery	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.
Tala Abdulrahman Fakhro	Chief Project Officer - EDB	–
Abdulrazaq Abdulkhaleq	–	Chairman – Audit Committee at Sinnad. Board Member - Bahrain Specialist Hospital & ITQAN CAPITAL. Chairman - Audit Committee at Bahrain Specialist Hospital
Dr. Adel Abdulla Salem	General Manager Retail Banking - BBK	Board Member - Invita Claims Management Company.
Gurumurthy Jayaraman	Group Head of Technology - AUB	Board Member - Bahrain Fintech Bay
Khaled Abi Khalil	Chief Operating Officer – SCB – Middle East Countries (excluding UAE)	Board Member - Standard Chartered Metropolitan Holding - Lebanon
Matthew John Deakin	Partner - KMH Management Solutions	Board Member – Bahrain Association of Banks. Advisor - NBB Board. Member - Risk Management Committee at NBB.
Hadyah Mohammed Fathalla	Chief Operating Officer – 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 BD 163,993 for the year 2019. The subcommittees received sitting fees for attending the meetings of AGRMC, ExCom and NRC for a total amount of BD 93,587 for 2019.

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 2019 and attendance are detailed below:

Members	Board		Executive Committee		Audit, Governance & Risk Management 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
Mohammed Ebrahim	7	7					3	3	10	10	100%
AbdulRazaq AbdulKhalig	7	7	6	6					13	13	100%
Abdulla Fakhro	4	4	5	5					9	9	100%
Adel Salem	7	7					3	3	10	10	100%
Ahmed A. Rahim	7	7			4	4			11	11	100%
Guru Jay	7	6			4	4			11	10	91%
Hadyah Fathalla	7	7	6	6					13	13	100%
Khaled Abi Khalil	7	7					3	3	10	10	100%
Matthew Deakin	7	7			4	4			11	11	100%
Tala Fakhro	7	7	6	6					13	13	100%
Yousif Al Fadhel	7	7							7	7	100%

Corporate Governance

(continued)

Board meetings attendance in 2019

During 2019, seven 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

Members	13 Feb	11 Mar	13 May	26 May	18 Sep	27 Nov	10 Dec
Mohammed Ebrahim	✓	✓	✓	✓	✓	✓	✓
Ahmed A. Rahim	✓	✓	✓	✓	✓	✓	✓
Adel Salem	✓	✓	✓	✓	✓	✓	✓
Abdul Razaq Abdul Khaliq	✓	✓	✓	✓	✓	✓	✓
Abdulla Fakhro	✓	✓	✓	✓	O	O	O
Hadyah Fathalla	✓	✓	✓	✓	✓	✓	✓
Tala Fakhro	✓	✓	✓	✓	✓	✓	✓
Yousif Al Fadhel	✓	✓	✓	✓	✓	✓	✓
Guru Jay	✓	✓	✓	✓	✓	✓	X
Khaled Abi Khalil	✓	✓	✓	✓	✓	✓	✓
Matthew Deakin	✓	✓	✓	✓	✓	✓	✓

Executive Committee meetings in 2019

Members	4 Feb	24 Feb	5 Mar	10 Mar	9 Apr	25 Jul
Abdul Razaq Abdul Khaliq	✓	✓	✓	✓	✓	✓
Abdulla Fakhro	✓	✓	✓	✓	✓	O
Hadyah Fathalla	✓	✓	✓	✓	✓	✓
Tala Fakhro	✓	✓	✓	✓	✓	✓

Audit, Governance and Risk Management Committee meetings in 2019

Members	6 Feb	21 Apr	10 Jul	23 Oct
Ahmed A. Rahim	✓	✓	✓	✓
Guru Jay	✓	✓	✓	✓
Matthew Deakin	✓	✓	✓	✓

Nomination & Remuneration Committee meetings in 2019

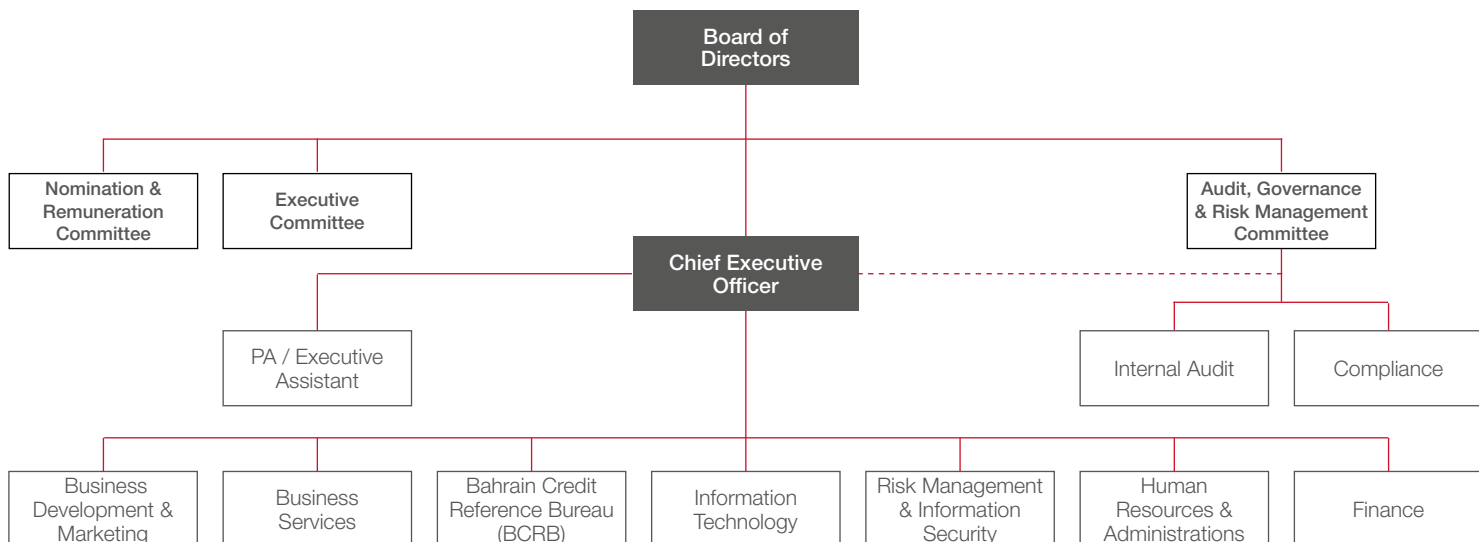
Members	21 Jan	3 Jul	31 Oct
Adel Salem	✓	✓	✓
Khaled Abi Khalil	✓	✓	✓
Mohammed Ebrahim	✓	✓	✓

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

The AGM and EGM were held on 27th March 2019.

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 reports directly to Board through AGRMC and administratively to the CEO.

Corporate Governance

(continued)

6. Directors Code of Conduct

BENEFIT code of conduct 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 2019 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.

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, 2019 audit fees is BD 11,492 and non-audit services fees are BD 65,280.

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 charity reserve, subject to AGM approval, in the Kingdom of Bahrain.

19. Status of Compliance with Corporate Governance Guidelines

The CBB Rulebook requirements in the High-Level Controls (HC) Module specify that the Company must comply with the Guidelines of the HC Module, or explain its non-compliance in the Annual Report. As part of its commitment to adherence with the CBB regulations, the Company wishes to explain the following:

- Due to the restructure of the Board, there is an absence of a majority of independent directors in the audit, corporate and risk management committee. However, the committee members have financial literacy and technology background.

General Assembly Meeting

Minutes	27 March 2019	10:06 AM
Meeting Called By	The Benefit Company	
Type of Meeting	General Assembly Meeting for 2018	
Attendees	As per attendees list	

The Chairman, Mr. Mohamed Ebrahim Al Bastaki 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 99%.

1. Ratify Minutes of AGM Meeting Held on 15 August 2018

The Chairman advised the Shareholders the minutes of the previous Annual General Meeting (AGM) held on 15 August 2018 was distributed with the agenda for their reference. There were no comments or questions raised and the minutes were approved.

Resolution 1- The minutes of the Annual General Meeting (AGM) dated 15 August 2018 was approved by the Shareholders.

2. Discuss and Approve the Report of the Board of Directors on the Company's Business for the Financial Year Ended 31 December 2018

The Chairman gave a brief update on the Board of Directors report on the company's business for the Financial year ended 31 December 2018. There were no comments or questions raised and the report was approved.

Resolution 2- The Shareholders approved the report of the Board of Directors on the company's business for the Financial year ended 31 December 2018.

3. Review the External Auditors Report on the Company's Consolidated Financial Statements for the Financial Year Ended 31 December 2018

KPMG read the external auditors report on the company's consolidated financial statements for the financial year ended 31 December 2018. There were no comments or questions raised and the financial statements were approved.

Resolution 3- The Shareholders approved the external auditors report on the Company's consolidated financial statements for the financial year ended 31 December 2018.

4. Discuss and Approve the Company's Consolidated Financial Statements for the Financial Year Ended 31 December 2018.

Chairman noted the company's consolidated financial statements for the financial year ended 31st December 2018 were distributed with the agenda for their reference. There were no comments or questions raised and the financial statements were approved.

Resolution 4- The Consolidated Financial Statements for the Financial year ended 31 December 2018 was approved by the shareholders.

4.1. Chairman informed the Shareholders as required by article 189 of the Companies Commercial Law, the Board of Directors have reviewed the transactions relating to Directors of the Company or its managers, whether direct or indirect, and such transactions have been approved by the Board of Directors. Such transactions are summarized in note 16 of the consolidated financial statements under related party transactions. In addition, as required by Article 189, the external auditors have provided their report to this effect.

Resolution 4- The Shareholders approved the related party transactions.

5. Discuss and Approve the Board of Directors Recommendation for the Following Appropriations of the Year 2018 Net Profit:

The Chairman advised the Shareholders, the Board of Directors have recommended the following appropriation of the net profit for the year 2018:

- Distribution of cash dividends to the Shareholders amounting to BD 1,866,240 at 60% of the paid-up capital.
- Transfer BD 342,574 to General Reserve.
- Allocation of BD 171,287 to the Charity Reserve.
- Transfer BD 1,045,642 to Retained Earnings.

There were no comments or questions raised and the recommended appropriations were approved.

Resolution 5-The above recommended appropriation of the Net Profit for 2018 was approved by the Shareholders.

6. Approval of Recommendation to Allocate Bd106,875 as Remuneration for the Members of the Board of Directors for 2018.

Chairman advised the shareholders of the recommendation to allocate BD106,875 as remuneration for the board of directors for 2018. There were no comments or questions raised and the allocation was approved.

Resolution 6- The Shareholders approved the recommendation to allocate BD 106,875 as remuneration the board of directors for 2018.

7. Discuss and Approve the Corporate Governance Report for the Year Ended 31 December 2018

Chairman noted the Corporate Governance report for the year ended 31 December 2018 is enclosed in the Annual report. There were no comments or questions raised and the report was approved.

Resolution 7-The Corporate Governance report for the year ended 31 December 2018 was approved.

8. Discharge the Members of the Board of Directors of the Company from Any Liability Resulting from All Actions Taken During the Financial Year Ended 31 December 2018.

The Shareholders were asked to absolve the Board of Directors from any liability related to their conduct for the period ended 31 December 2018. There were no questions raised and was approved by the Shareholders.

Resolution 8-The Shareholders absolved the Board of Directors from their legal liability during the period ended 31 December 2018.

9. Approve the Board of Directors Recommendation on the Re-appointment of KPMG as External Auditors for the Year 2019

The Board of Directors recommended to re-appoint KPMG as external auditors for the year 2019, subject to the approval of the Central Bank of Bahrain, and to authorise the Board of Directors to determine their remuneration. There were no comments or questions raised and the recommendation was approved.

Resolution 9- The Shareholders approved the recommendation to re-appoint KPMG as external auditors for the year 2019.

10. Any Other Matters in Accordance with Article 207 of the Commercial Companies Law.

There were no other matters raised by the Shareholders.

Chairman concluded the AGM meeting and thanked all the Shareholders, Central Bank of Bahrain and Ministry of Industry, Commerce and Tourism for their attendance and participation.

Chairman thanked the Board for their efforts and contribution to the Company. Chairman also thanked Management and staff for the good achievements for 2019.

There were no further comments and the meeting closed at 10:17 am.



Mohamed Al Bastaki
Chairman



Abdulwahed Al Janahi
Chief Executive Officer

Extraordinary General Meeting

Minutes	27 MARCH 2019	10:17AM
Meeting Called By	The Benefit Company	
Type of Meeting	Extraordinary General Meeting for 2018	
Attendees	As per attendees list	

The Chairman, Mr. Mohammed Ebrahim Al Bastaki 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 99.00% at the meeting.

1. Ratify Minutes of EGM Meeting Held on 30 March 2017 and 15 August 2018

The Chairman advised the Shareholders the minutes of the previous Extra Ordinary Meeting (EGM) held on 30 March 2017 and 15 August 2018 was distributed with the agenda for their reference. There were no comments or questions raised and the minutes were approved.

Resolution 1- The minutes of the Extraordinary General Meeting dated 30 March 2017 and 15 August 2018 was approved by the Shareholders.

2. Approve to Transfer the Ownership of BMI Bank B.S.C Shares {totalling 311 Shares} to Al Salam Bank Bahrain B.S.C.

The Chairman informed the Shareholders, BMI Bank B.S.C shares totalling 311 shares have been transferred to Al Salam Bank Bahrain B.S.C. There were no comments or questions raised and the transfer of shares was approved.

Resolution 2- The transfer of shares from BMI Bank B.S.C (311 Shares) to Al Salam Bank Bahrain B.S.C was approved by the Shareholders.

3. Approval of the Necessary Amendments and Consolidation of the Memorandum and Article of Association of the Company

The Chairman advised the Memorandum and Article of Association (AOA) will be amended and consolidated. There were no comments or questions raised and the minutes were approved.

Resolution 3- The amendment and consolidation of the Memorandum and Article of Association (AOA) was approved by the Shareholders.

4. Authorised Signatory

To authorize and delegate powers to the Chairman, Mr. Mohamed Ebrahim Al Bastaki and/or the CEO of the Company, Mr. Abdulwahed Abdulrahman Al Janahi to sign the amended and consolidated Memorandum and Articles of Association (AOA) on behalf of the shareholders before the Notary Public.

Resolution 4- The authorized signatory was approved by the Shareholders.

There were no further issues for discussion and the Chairman concluded the meeting at 10:30 pm.



Mohamed Al Bastaki
Chairman



Abdulwahed Al Janahi
Chief Executive Officer

Report of the Directors

For the year ended 31 December 2019

The year 2019 was a successful year for The Benefit Company ("BENEFIT" or "the Group") where the focus was converting the society towards adopting a digital society culture and supporting the national strategy of improving the ease of doing business in the Kingdom of Bahrain.

Business Review

BENEFIT has successfully implemented the eKYC shared platform in 2019, which was developed based on a true PPP model between BENEFIT/CBB/IGA with a positive impact on the development of Fintech ecosystem. A total of 27 banks successfully launched the service, with more than 1000 users of banks trained.

The Group has also initiated a national Token Vault in collaboration with international schemes such as VISA and MasterCard for debit/credit cards mobile contactless payments; accepted internationally. Moreover; BENEFIT has extended its business shared services to the new breed of financial technology service providers in the Fintech domain such as PSP, TPPs, Startups and others.

In 2019, the Bahrain Credit Reference Bureau (BCRB) worked with the iGA to enable the credit reports to be available on bahrain.bh. During the year, four banks have integrated with straight through process for online credit bureau services and two banks have already granted loans online in few seconds.

The Electronic Funds Transfer System (EFTS) based transactions saw healthy growth in 2019, with 557% growth rate and over 6.3 million transactions recorded in Fawri+ service in comparison to 960k transactions in 2018. Further, around 7.1 million transactions were carried out on Fawri with a growth rate of 21% as compared to 2018. Fawateer service has noticed a good growth in 2019 as well, with 1.99 million transactions representing a 20% growth rate compared to 2018.

There has also been an increase in the focus of the B2C model in 2019 which is showcased in the success of Benefitpay as a national wallet. The total number of members saw an increase of 450% compared to 2018 with the number of transactions on the wallet amounting to 5.5 million during the year. The reach of Benefitpay was extended to support home and small business (untapped market) with a total of 2,250 merchants supported through the national wallet.

Overall Performance and financial results

BENEFIT had a very successful year in 2019 and will continue to do so in the future as we execute our new strategic plan for the coming years. As a reflection of the Group's achievements, BENEFIT recorded a growth of 21% in the consolidated revenues of BD 11.9 million in 2019 from BD 9.9 million in 2018 and a growth of 15% in the consolidated total assets of BD 26.2 million in 2019, up from BD 22.8 million in 2018. BENEFIT net profit was 3% lower at BD 3.3 million in 2019 compared to BD 3.4 million in 2018 due to higher investments in human resources and marketing activities. The results reflect BENEFIT's focus on improving its revenue streams and maintaining organic business growth.

Financial highlights - Bahraini Dinars	2019	2018	Growth
Consolidated operating profit	2,903,964	3,152,075	-8%
Consolidated net profit for the year	3,327,998	3,425,743	-3%
Consolidated net assets	22,283,941	20,822,183	7%

Report of the Directors (continued)

For the year ended 31 December 2019

Recommended Appropriations and Board Remuneration for 2019

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

	2019 (BD)
Dividends	1,555,200
General reserve	411,854
Charity reserve	205,927
Total appropriations	2,172,981

The Board is also recommending BD 163,993 as the directors' remuneration for the year 2019.

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

During 2019, the total number of Board members changed from 11 members to 9 members due to the resignation of Mr. Abdulla Fakhro in June 2019 and Mr. Matthew Deakin in November 2019. The Board is working closely with the Central Bank of Bahrain to appoint replacements for these two independent directors.

Outlook for 2020

There are new innovative services being initiated by BENEFIT for 2020 which are primarily focused on the development of Benefitpay as a lifestyle and the growth of the BENEFIT Data arm. This will be achieved through the introduction of several innovative services and features during 2020.

The Group will be launching the QR mobile switch service in 2020 which has been recently awarded by the Central Bank of Bahrain. This confirms the Group's commitment towards driving the national vision towards a cashless society. BENEFIT is also working closely with the Central Bank of Bahrain to enable the untapped market in providing seamless cashless transactions.

Furthermore, the Group will focus on developing additional features in BenefitPay during 2020 such as the introduction of online check-out with bahrain.bh, allowing for fuel payment, parking and remittances through BenefitPay.

In 2020, BENEFIT will also extend additional features within the eKYC services to enable facial recognition and online customers' onboarding. The Group will also onboard more members to join the eKYC platform such as money changers and PSPs. Furthermore, BENEFIT will introduce SMEs Rating for easy financing. These initiatives aim to support the easy doing business in Bahrain strategy.

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 to the Group 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.



Mohammed Ebrahim Al Bastaki

Chairman

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

The Benefit Company BSC (c)
PO 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 2019, 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 2019, 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 report of the directors set out on pages 39 and 40.

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 Commercial Companies Law, and Volume 5 of the rule book issued by the Central Bank of Bahrain (CBB), we report that:

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



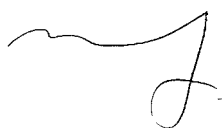
KPMG Fakhro
Partner Registration No. 213
19 February 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

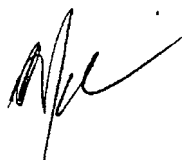
As at 31 December 2019 (Bahraini Dinars)

	Note	2019	2018*
Assets			
Furniture and equipment	4	1,349,483	1,285,673
System software	5	1,776,522	1,048,273
Right-of-use assets	11	883,920	-
Capital-work-in-progress		548,159	848,306
Other assets		139,168	139,168
Total non-current assets		4,697,252	3,321,420
Cash and bank balances		5,393,718	8,440,972
Balance with Central Bank of Bahrain		4,789,052	2,032,378
Balance with other central banks		3,057,372	1,851,319
Deposits with banks		2,460,043	1,964,161
Treasury bills		4,881,827	4,788,738
Trade receivables	6	654,286	241,562
Prepaid expenses and other receivables		315,798	157,161
Total current assets		21,552,096	19,476,291
Total assets		26,249,348	22,797,711
Equity and liabilities			
Share capital	1	3,110,400	3,110,400
Statutory reserve		1,612,138	1,612,138
General reserve		1,136,788	794,214
Charity reserve		385,819	214,532
Retained earnings		16,038,796	15,090,899
Total equity (page 8)		22,283,941	20,822,183
Liabilities			
Non-current portion of lease liability	12	865,819	-
Non-current portion of deferred income		293,153	-
Provision for employees' leaving indemnities	7	207,461	146,364
Total non-current liabilities		1,366,433	146,364
Trade payables and accrued expenses	8	2,024,600	1,536,604
Payable for acquisition of shares in Subsidiary		221,970	221,970
Current portion of lease liability	12	55,251	-
Current portion of deferred income		297,153	70,590
Total current liabilities		2,598,974	1,829,164
Total equity and liabilities		26,249,348	22,797,711

* The Group has initially applied IFRS 16 at 1 January 2019, the mandatory date of initial application. Under the transition method chosen, comparative information is not restated. See note 3 (a) for further details.



Mohamed Ebrahim Al Bastaki
Chairman



Ahmed A. Rahim
Vice Chairman



Abdulwahed AlJanahi
Chief Executive Officer

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 2019 (Bahraini Dinars)

	Note	2019	2018
Revenue			
Switch	9	8,249,931	6,803,714
BCRB		968,984	993,227
BCTS		563,256	582,086
EFTS		887,360	758,435
eKYC		58,346	-
Card services	10	1,195,532	722,388
Total operating revenue		11,923,409	9,859,850
Staff cost		3,909,114	2,982,684
Cost of provision of services	13	2,265,995	1,312,992
Depreciation and amortisation	4,5,11	1,188,155	856,924
Other operating expenses	14	1,656,181	1,555,175
Total operating expenses		9,019,445	6,707,775
Operating profit		2,903,964	3,152,075
Interest income	15	319,723	259,247
Interest expense on lease liability		(68,936)	-
Other income		173,247	14,421
Profit for the year		3,327,998	3,425,743
Other comprehensive income for the year		-	-
Total comprehensive income for the year		3,327,998	3,425,743



Mohamed Ebrahim Al Bastaki
Chairman



Ahmed A. Rahim
Vice Chairman



Abdulwahed AlJanahi
Chief Executive Officer

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 2019 (Bahraini Dinars)

2019	Share capital	Statutory reserve	General reserve	Charity reserve	Retained earnings	Total
At 1 January 2019	3,110,400	1,612,138	794,214	214,532	15,090,899	20,822,183
Profit and total comprehensive income for the year	-	-	-	-	3,327,998	3,327,998
Dividend declared in 2018	-	-	-	-	(1,866,240)	(1,866,240)
Transfer to charity reserve	-	-	-	171,287	(171,287)	-
Transfer to general reserve	-	-	342,574	-	(342,574)	-
At 31 December 2019	3,110,400	1,612,138	1,136,788	385,819	16,038,796	22,283,941

2018	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
Impact of adoption of IFRS 9	-	-	-	-	(58,204)	(58,204)
Impact of adoption of IFRS 15	-	-	-	-	11,096	11,096
Adjusted balance at 1 January 2018	3,110,400	1,612,138	365,150	-	14,641,552	19,729,240
Profit and total comprehensive income for the year	-	-	-	-	3,425,743	3,425,743
Dividend declared in 2017	-	-	-	-	(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

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 2019 (Bahraini Dinars)

	2019	2018
Operating activities		
Cash received from switch operations	8,231,067	6,798,742
Cash received from BCRB operations	951,457	1,020,858
Cash received from card services	1,493,583	767,325
Cash received from BCTS operations	560,052	582,549
Cash received from EFTS operations	787,106	752,155
Cash received from eKYC	97,810	-
Payments for operating expenses	(7,430,596)	(5,651,726)
Payment for directors' remuneration	(149,916)	(110,000)
Net cash generated from operating activities	4,540,563	4,159,903
Investing activities		
Purchase of furniture and equipment	(210,218)	(176,222)
Purchase of software	(109,871)	(198,768)
Payments for capital-work-in-progress	(1,163,729)	(732,769)
Movement on deposits with banks and treasury bills	(281,762)	2,544,969
Interest received on current account	6,730	8,678
Net cash (used in) / generated from investing activities	(1,758,850)	1,445,888
Financing activities		
Dividend paid	(1,866,240)	(2,332,800)
Net cash used in financing activities	(1,866,240)	(2,332,800)
Net increase in cash and cash equivalents	915,473	3,272,991
Cash and cash equivalents at beginning of year	12,324,669	9,051,678
Cash and cash equivalents at end of the year	13,240,142	12,324,669
Cash and bank balances	5,393,718	8,440,972
Balance with Central Bank of Bahrain	4,789,052	2,032,378
Balance with other central banks	3,057,372	1,851,319
	*13,240,142	*12,324,669

*Cash and cash equivalents include ECL of BD 1,941 as of 31 December 2019 (2018: BD 2,473)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019 (Bahraini Dinars)

1. REPORTING ENTITY

The Benefit Company BSC (c) (the “Company”) is registered with the Ministry of Industry, Commerce and Tourism 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 (“CBB”) to provide services relating to payment system and other related financial services for the benefit of the commercial banks and their customers in the Kingdom of Bahrain. The Bahrain Credit Reference Bureau (“BCRB”) operations commenced in Bahrain in August 2005. The Company launched the Bahrain Cheques Truncation System (the “BCTS”) on 13 May 2012, Electronic Fund Transfer System (the “EFTS”) on 5 November 2015 and Electronic Know Your Customer (eKYC) in 30 April 2019.

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 2018: 100%) in Sinnad SPC (“Subsidiary”). The Subsidiary has been incorporated and licensed by CBB to provide ancillary services to the financial sector in Bahrain and other countries. Its service includes debit and credit card hosting services, cards personalisation and other ATM acquiring services.

The consolidated financial statements comprise the financial statements of the Company and its subsidiary (together referred to as the “Group”) and these were approved by the board of directors on 19 February 2020.

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 Commercial Companies Law.

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 2019

The Group has applied IFRS 16 “Leases” from 1 January 2019. 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 2020 and early adoption is permitted; however the Group has not early adopted any new or amended standards in preparing these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019 (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 has applied IFRS 16 "Leases" from 1 January 2019. The effect of initially applying this standard is disclosed below.

IFRS 16 Leases introduces a single, on-balance sheet accounting model for lessees. It 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, after 1 January 2019. The Group has adopted IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

The Group has changed its accounting policy for lease contracts for the current period as detailed below.

(i) Change in accounting policy

At the inception of the contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for the period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset, this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of lease under IFRS 16 has been applied only to contracts entered into, or changed, on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Measurement

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payment made at or before the commencement date, less any lease incentives received;
- any initial direct cost incurred by the lessee; and
- estimated cost to dismantle and to remove the underlying asset, or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liability is measure as the present value of the future lease payments that are not paid at the commencement date. The lease payments are discounted based on the Group's incremental borrowing rate. Lease liability comprises the following:

- fixed payments, including in-substance fixed payments;
- amounts expected to be payable under a residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Lease liabilities are reduced by repayment of the principal amount while the finance charge component of the lease payment is charged directly to the statement of profit or loss and other comprehensive income. Lease payments are allocated between lease finance costs and capital repayments using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019 (Bahraini Dinars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Adoption of new standards (Continued)

It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and for leases of low-value assets.

(ii) Impact of adopting IFRS 16

The impact from the adoption of IFRS 16 as at 1 January 2019 has resulted in an increase in right-of-use asset and an increase in lease liability by BD 940,424.

	Total Assets	Total Liabilities
Closing balance under IAS 17 (31 December 2018)	22,797,711	1,975,528
Impact on adoption:		
Right-of-use asset	940,424	-
Lease liability	-	940,424
	940,424	940,424
Opening balance under IFRS 16 on date of initial application of 1 January 2019	23,738,135	2,915,952

b) Financial instruments

(i) Classification of financial assets and financial liabilities

Financial assets are classified into three principal classification categories: measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. Financial liabilities are classified into amortized cost or at fair value through profit or loss.

(ii) Initial recognition, measurement and subsequent measurement

The financial assets and liabilities are initially recognised on trade date when the Group becomes party to the contract. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Financial assets and liabilities are subsequently remeasured at amortised cost.

(iii) Impairment of financial assets

The Group measures expected credit loss on financial assets carried at amortised cost using simplified approach as allowed by the standard to determine impairment of financial assets.

c) Revenue recognition

(i) Services

Revenue arises mainly from provision of services relating to switch, BCRB, BCTS, EFTS eKYC. Revenue also arises from the provision of services relating to debit and credit card personalisation and hosting and ATM acquiring services ("card 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 Group satisfies performance obligations and customer obtain control of goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019 (Bahraini Dinars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Revenue recognition (Continued)

(ii) Interest Income

Interest income is recognised using the effective interest rate method.

d) 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.

e) Furniture, equipment, software and capital-work-in-progress

Owned assets

Furniture, equipment and software are stated at cost less accumulated depreciation, accumulated amortization and impairment losses, if any. The cost of the assets includes the cost of bringing them to their present location and condition. Intangible assets are recorded at the consideration paid for obtaining right to use the assets. Capital work-in-progress comprises the direct 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 recognised in profit or loss.

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	1 – 7 years
System software	3 – 10 years
Computer equipment	2 – 5 years
Furniture, fixtures and office equipment	3 – 8 years
Vehicles	5 years

All depreciation and amortization are charged to profit or loss.

f) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019 (Bahraini Dinars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) 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.

h) 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.

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 ("SIO") 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.

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.

The area in which significant accounting estimates and judgments were used in applying accounting policies is disclosed in note 3 (c).

n) Statutory reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019 (Bahraini Dinars)

4. FURNITURE AND EQUIPMENT

	System hardware	Computers	Furniture, Fixtures, Office Equipment & Vehicle	2019 Total	2018 Total
Cost					
At 1 January	2,917,720	467,153	225,661	3,610,534	3,355,298
Additions	493,791	37,387	32,285	563,463	526,450
Disposals	(2,795)	(7,246)	(5,508)	(15,549)	(271,213)
At 31 December	3,408,716	497,294	252,438	4,158,448	3,610,535
Depreciation					
At 1 January	2,051,735	175,361	97,766	2,324,862	2,191,586
Disposals	(2,795)	(7,246)	(5,145)	(15,186)	(271,132)
Charge for the year	448,452	12,374	38,463	499,289	404,408
At 31 December	2,497,392	180,489	131,084	2,808,965	2,324,862
Carrying value at 31 December	911,324	316,805	121,354	1,349,483	1,285,673

5. SYSTEM SOFTWARE

	2019	2018
At 1 January	1,048,273	1,116,762
Additions during the year	1,255,293	381,918
Amortised during the year	(527,044)	(450,407)
At 31 December	1,776,522	1,048,273

6. TRADE RECEIVABLES

	2019	2018
Gross receivables	655,322	242,109
Less: Impairment allowance (expected credit loss)	(1,036)	(547)
	654,286	241,562

The movement on impairment allowance is as follows:

	2019	2018
At 1 January	547	547
Charge for the year	1,834	-
Write-off for the year	(1,345)	-
At 31 December	1,036	547

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019 (Bahraini Dinars)

7. PROVISION FOR EMPLOYEES' LEAVING INDEMNITIES

The movement in the provision is as follows:

	2019	2018
At 1 January	146,364	128,166
Add: charge for the year	61,097	22,298
Less: paid during the year	-	(4,100)
At 31 December	207,461	146,364
Total number of employees at 31 December:		
Bahrainis	139	101
Expatriates	5	5
	144	106

For the year ended 31 December 2019, the Group's contribution for employees under SIO scheme amounted to BD 244,829 (2018: BD 192,296). 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 134,184 (2018: BD 95,692), and the balance of the saving scheme bank account as at 31 December 2019 amounted to BD 972,928 (2018: BD 734,837).

8. TRADE PAYABLES AND ACCRUED EXPENSES

	2019	2018
Accrual for bonus and reward	573,331	403,700
Trade payables	239,511	230,880
Payables for card processing	201,153	266,737
Accrual for directors' remuneration	164,000	110,000
VAT payable	219,925	-
Other accrued expenses	626,680	525,287
	2,024,600	1,536,604

9. SWITCH INCOME

	2019	2018
Bahrain ATM	3,419,784	3,131,203
Bahrain POS	2,853,305	2,305,588
GCC ATM	638,568	592,084
GCC POS	573,479	118,345
Telecom bill payment	377,788	329,332
Payment gateway	335,604	269,041
AMEX	51,403	50,992
Internet Banking	-	1,333
Direct debit services	-	5,796
	8,249,931	6,803,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019 (Bahraini Dinars)

10. 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.

Revenue by major products and service line	31 December 2019	31 December 2018
Debit card program	739,029	549,212
Credit card program	101,880	74,399
Card personalisation program	231,401	46,535
Income from development and customisation	123,222	52,242
	1,195,532	722,388

Revenue by timing of recognition	31 December 2019	31 December 2018
Goods transferred at a point in time	1,072,310	670,146
Services transferred over time	123,222	52,242
	1,195,532	722,388

B. Contract balances

The following table provides information about contract liabilities from contracts with customers.

	31 December 2019	31 December 2018
Contract liabilities (included in current portion of deferred income)	111,206	55,541

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 year ended 31 December 2019, revenue includes BD 7,898 included in the contract liability balance at the beginning of the period.

11. RIGHT-OF-USE ASSETS

	31 December 2019
On transition at beginning of the year (3a)	940,424
Additions during the year	105,509
Depreciation charge for the year	(162,013)
	883,920

12. LEASE LIABILITY

	31 December 2019
Maturity analysis – contractual undiscounted cash flow	
Less than one year	221,580
One to five years	879,945
Total undiscounted lease liabilities	1,101,525
Current portion of lease liabilities	55,251
Non-current portion of lease liabilities	865,819
Total discounted lease liabilities	921,070

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019 (Bahraini Dinars)

13. COSTS OF PROVISION OF SERVICES

	2019	2018
System maintenance	379,887	471,835
Cost of card services	721,255	290,781
License and support	888,281	330,780
Communication lines	192,559	160,895
GCC NET telecom charges	18,873	18,939
Other processing costs	41,635	39,762
	2,265,995	1,312,992

Cost of card services includes direct cost relating to debit card, credit card personalisation and hosting services.

14. OTHER OPERATING EXPENSES

	2019	2018
Public relation and marketing	621,904	458,490
Legal and professional expenses	437,931	413,786
Directors' remuneration	149,917	110,000
Travel and conferences	101,636	77,936
Directors' sitting fees	93,587	100,200
Entertainment	49,832	39,489
Occupancy costs	49,774	201,983
Telephone and fax	13,419	9,182
Other expenses	138,181	144,109
	1,656,181	1,555,175

15. INTEREST INCOME

	2019	2018
Interest on treasury bills	227,925	232,261
Interest on bank deposits	85,067	18,308
Interest on current accounts	6,731	8,678
	319,723	259,247

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:

	2019	2018
Salaries and short term employee benefits	902,908	738,824
Long term employee benefits	109,085	99,276
Directors' remuneration	149,917	110,000
Directors' sitting fees	93,587	100,200
	31 December 2019	31 December 2018
Provision for employees' leaving indemnities	160,595	146,364

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019 (Bahraini Dinars)

16. RELATED PARTY TRANSACTIONS (Continued)

b) Transactions and balances with and from related parties

	2019		
	Shareholders	Other related party	Total
Bank balances	5,395,423 (i)	-	5,395,423
Deposits with banks	2,450,874 (i)	-	2,450,874
Trade receivables	297,819 (i)(ii)	-	297,819
Other assets	108,268 (i)	-	108,268
Lease liability	702,531 (iv)	-	702,531
Deferred income	4,763 (ii)	-	4,763
	Shareholders	Other related party	Total
Interest income	106,750 (i)	-	106,750
Card service income	309,868 (ii)	-	309,868
Bank charges	8,885 (i)	-	8,885
Occupancy costs	33,540 (iv)	-	33,540

c) 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)	(ii) 12,371	60,436
Deferred income	2,263 (iii)	-	-
	Shareholders	Other related party	Total
Interest income	26,986 (i)	-	26,986
Card service income	50,545 (ii)	-	50,545
Occupancy costs	184,101(iv)	-	184,101

(i) The Group has dealings with several banks in Bahrain who are also shareholders of the Group. These transactions are in the nature of provision of services in relation to payment systems, internet banking, card services and Credit Reference Bureau. Bank balances and fixed deposits are kept with two of the major shareholders of the Group.

(ii) The Subsidiary has entered into contracts with certain shareholders of the Parent company for the provision of services related to debit/credit card personalisation and ATM acquiring services.

(iii) Deferred income represents advance billing to shareholders where the services are yet to be provided by the Group. It is recognised as income when the related services are performed.

(iv) 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.

All transactions were approved by the Board of Directors under Article 189(b) of the Commercial Companies Law in the financial year ended 31 December 2019 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 AND CONTINGENCIES

Capital commitments and contingencies as on 31 December 2019 by the Group are BD 972,405 (2018: BD 1,506,309).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019 (Bahraini Dinars)

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:

	2019	2018
Cash dividends	1,555,200	1,866,240
Charity reserve	205,927	171,287
General reserve	411,854	342,574

The Board has recommended the distribution of cash dividends of BD 1,555,200 from the retained earnings. Further, the Board has also recommended BD 163,993 as the directors' remuneration for the year 2019 (2018: 106,875).

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 (2019)	Proportion of ownership and voting power held by the Group (2018)	Principal activities
Sinnad S.P.C	Bahrain	100%	100%	Debit and credit cards hosting and cards personalisation services

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019 (Bahraini Dinars)

20. FINANCIAL RISK MANAGEMENT (Continued)

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:

	2019	2018
Bank balance	5,393,482	8,440,445
Deposits with banks	2,460,043	1,964,161
Treasury bills	4,881,827	4,788,738
Balance with Central Bank of Bahrain	4,789,052	2,032,378
Balance with other central banks	3,057,372	1,851,319
Trade receivables	654,286	241,562

The Group's credit risk on bank balances, deposits with banks, treasury bills and trade receivables are limited since these are maintained either with reputed banks having high credit ratings or sovereign. The Group's credit risk on the remaining exposures 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:

	2019	2018
0 - 30 days	237,512	165,773
31 - 90 days	86,430	9,898
91 - 180 days	240,877	52,127
181 - 365 days	89,876	14,311
More than 365 days	627	-
Gross receivables	655,322	242,109
Impairment allowance	(1,036)	(547)
	654,286	241,562

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

The Group believes that amounts past due by more than 90 days amounting to BD 331,380 (2018: BD 66,438), are not impaired and are collectible in full, based on historic payment behaviour and since these amounts are due from reputed banks in Bahrain and other countries.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019 (Bahraini Dinars)

20. FINANCIAL RISK MANAGEMENT (Continued)

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
2019			
Trade payables and accrued expenses	2,079,851	2,079,851	2,079,851
Payable for acquisition of subsidiary	221,970	221,970	221,970
	2,301,822	2,301,822	2,301,822
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

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.

	2019	2018
Effective interest rate on short-term deposit and treasury bills (BHD)	2.84%	2.92%

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019 (Bahraini Dinars)

20. FINANCIAL RISK MANAGEMENT (Continued)

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 15 percent in 2019 (2018: 17 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 2019, 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.