



Building a **Contactless** society...

BENEFIT Annual Report 2020



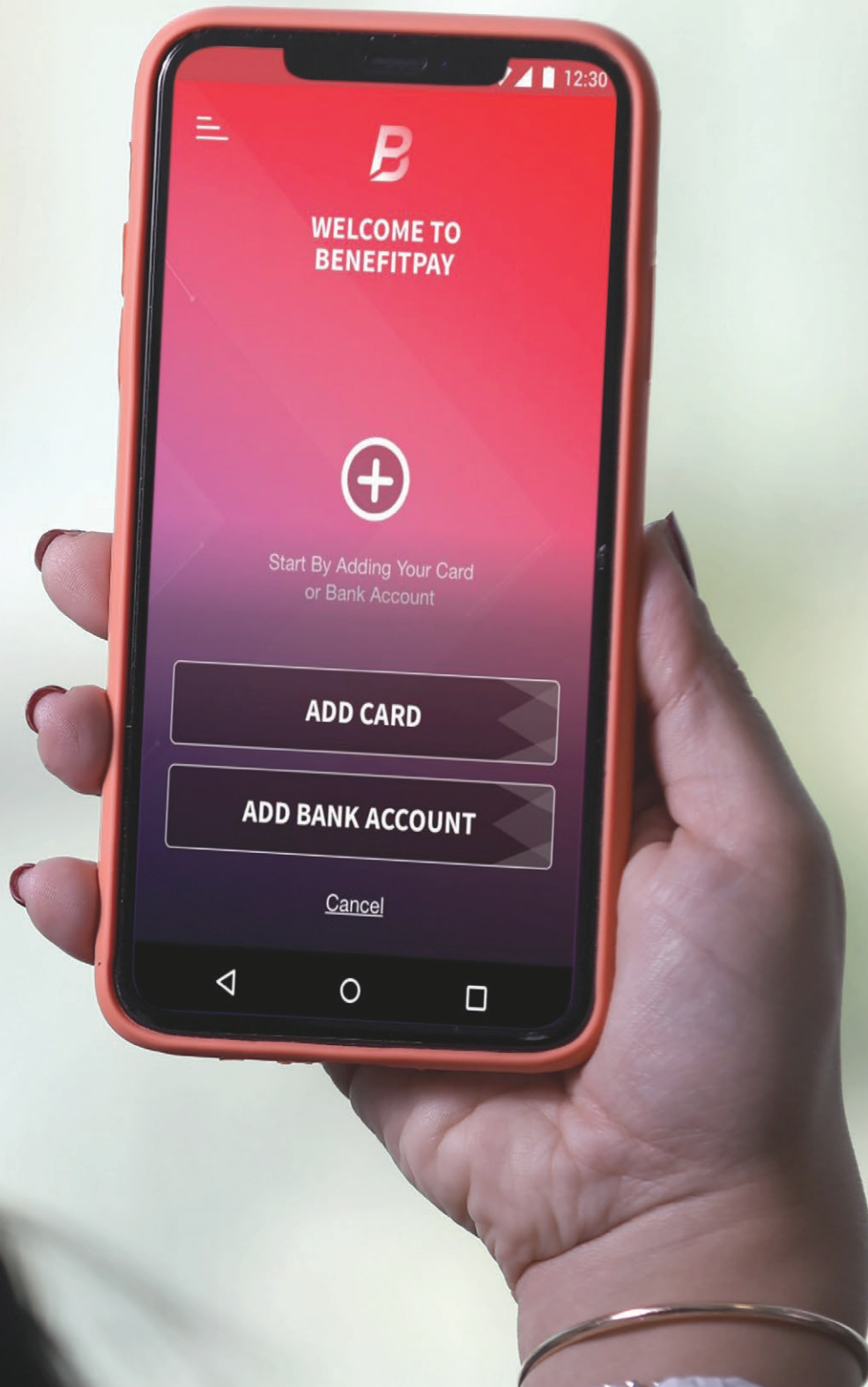
Contents

Vision, Mission and Profile	4
Growth Trends	8
Chairman's Statement	10
CE Statement	14
Board of Directors	18
Products and Services	20
5 Year Growth	22
Management Team	24
Exceptional Talent	26
BENEFIT in the Community	27
Corporate Governance	28
General Assembly Meeting	37
Report of the Directors	39
Independent Auditors' Report to the Shareholders	41
Consolidated Statement of Financial Position	43
Consolidated Statement of Profit or Loss and Other Comprehensive Income	44
Consolidated Statement of Changes of Equity	45
Consolidated Statement of Cash Flows	46
Notes	47

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...to strengthen your financial **Connectivity.**



بِنْفِتَا



B · E · N · E · F · I · T



His Royal Highness
Prince Salman bin Hamad
Al Khalifa

The Crown Prince,
Deputy Supreme Commander
and Prime Minister



His Majesty
King Hamad bin Isa
Al Khalifa

King of the Kingdom of Bahrain

Vision, Mission and Profile

Vision

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

Mission

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

Profile

The BENEFIT Company has played a critical role in making Bahrain more business-friendly and contributed to its status as an acknowledged economic powerhouse. BENEFIT was formed with strong values that have enabled the organization to support not just the banking and financial services sector but also the government, the corporate world and the general public by delivering reliable fintech products and services.

BENEFIT remains committed to 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 a wide geographical base, enriching business relationships and boosting interactions with member banks and other stakeholders.

As a provider of one of the most sophisticated tools for all electronic financial transactions throughout the Kingdom, BENEFIT's road to success has been paved by a combination of skilled workforce, cutting-edge technology, focused strategic planning and initiatives, and a determination to provide the most advanced financial services for those residing in Bahrain. BENEFIT was established in November 1997

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

BENEFIT's range of services supported by GCCNet in countries within the region include the 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).

To strengthen Bahrain's position as the financial hub of the region, 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 has enabled the company to be at the leading edge of all fintech initiatives in Bahrain and beyond. BENEFIT recognizes the importance of investing in its employees and helping them to be professional achievers.

Also, the support given to gender equality, women empowerment and Bahrainization 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 3,110,400 (US\$ 8.2 million approx.).

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

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Serving the Nation



Awarded by
The Global Economics in 2020



FAWRI

8.7 million

Transactions in 2020

13.4 billion

Total transaction value across all channels in Bahraini Dinars

As the key provider of electronic financial transactions in the Kingdom, BENEFIT enjoys a privileged position that provides a level of protection against market volatility. We had previously recorded healthy profits, which helped us to weather the financial impact of the COVID-19 pandemic during 2020. Net profits and revenue dropped by approximately 54% and 6% respectively during the year, however the organization remained focused on supporting the economy by facilitating transactions.

With the roll-out of a national curfew and the closure of non-essential businesses during the early stages of the pandemic, the majority of the Kingdom's population stayed home during the second quarter of the year. As a result, Benefit saw a sharp reduction in ATM withdrawals, which is one of the company's major sources of revenue.

However, this was partially offset by a spike in online transactions during this period. The jump in Fawri, Fawri+, and Fawateer transactions marks a huge step in the Kingdom's journey towards becoming a cashless society in line with Vision 2030. Our work is made possible by world-class digital infrastructure, which we continue to invest in. 2020 saw us allocating BD 102,000 to state-of-the-art ICT hardware and BD 1.3 million to new software. We expect these investments to continue to generate revenues while adding value for our customers through enhanced and easier payment services.

Check Account Balance: A smoother banking experience

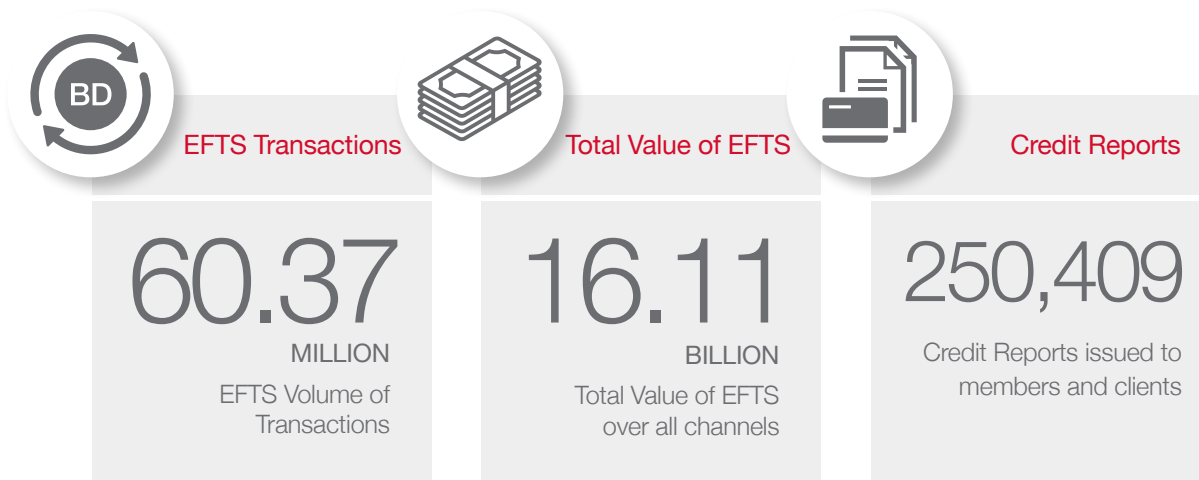
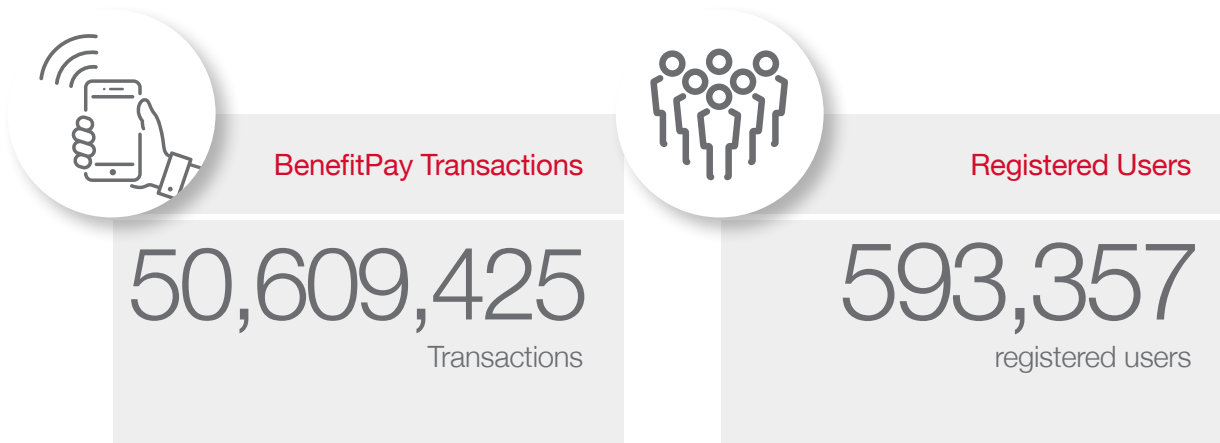


CONTACTLESS

CONNECTIVITY

Growth Trends

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



292%

105%

19%



 Growth rate of EFTS
Volume of transactions
(from 2019)

 Growth in number of
Registered Users

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

Chairman's Statement



Throughout the year we remained focused on enhancing our offerings, particularly our B2C platform, BenefitPay, which came into its own, exceeding 590,000 users for the first time.

As the key conduit of the country's electronic financial transactions over the past 23 years, the BENEFIT Company measures its success by more than just its financial results. Increasing revenue and profit are important concerns for any business, but our main objective is, and always has been, to add value to the community. BENEFIT lies at the heart of business in the Kingdom. We continuously work to make payments easier and more secure, inspiring trust, facilitating an increasingly higher volume of transactions, and helping to boost economic activity.

Working closely alongside the Central Bank of Bahrain (CBB) is vital to our continued success. The CBB has taken a visionary approach towards fintech, and its openness in sharing advice and recommendations has seen the Kingdom establish itself as a regional leader in this field. BENEFIT is now a household name familiar to customers all over the country and enjoys a position of trust as an online payment gateway.

One of our key strategy objectives is to support small and medium sized enterprises; our infrastructure has made it possible for small businesses to move their businesses entirely online which has resulted in the rise of a new generation of e-commerce businesses. Our services also help more traditional companies, streamlining all kinds of payment requirements so that owners can focus on their core activities.

Throughout the year we remained focused on enhancing our offerings, particularly our B2C platform, BenefitPay, which came into its own, exceeding 590,000 registered users for the first time. The total value of transactions conducted via BenefitPay was a record BHD 2 billion in 2020.

During 2020, BenefitPay was the focus of the BENEFIT strategy and roadmap through the implementation and launch of new services and features within the app to enable a cashless society, all of which helped increase the penetration of electronic payments in cash-based sectors during the Covid19 situation.



GOVERNMENT ENTITIES

100%

All governmental entities are using Fawri services to transfer salaries and make payments.

We continued to forge key alliances that enable us to offer market-leading products and services and add value for our customers. In 2020, we partnered with Visa and Mastercard for tokenization services which underlie our new Tap and Go contactless payment option, and with Sadeem for cashless fuel payments.

Looking forward, we remain committed to our mandate to innovate for the future. We achieved key milestones in the development of our e-Cheque product, a paperless negotiable instrument with the same functionalities as traditional cheques, which will further advance Bahrain as a digital economy and cashless society. We are also developing our BENEFIT Data platform, a suite of value-added services that provide rich and robust insights for lenders and consumers to make informed decisions, and BENEFIT Plus, a lifestyle platform focused on mobility, food, shopping, and finance, to further enrich the customer experience.

The COVID-19 pandemic had far reaching effects across the world and accelerated many countries' digital transformation plans. Bahrain, however, had already made significant inroads in this area when the pandemic struck, which meant it was well placed to make a seamless transition towards contactless and

online payments. Supported by a world-class fintech infrastructure, this 'positive disruption' undoubtedly helped to mitigate much of the economic impact of the pandemic and allowed us to accelerate our journey towards achieving the Kingdom's Economic Vision 2030 to become a fully cashless society.

We are confident that our 2020 achievements will provide a springboard for the continued enhancement of Bahrain's digital payment infrastructure in 2021, and for the nation's continued economic recovery from the current challenges.

I extend my thanks to the Government of Bahrain and the Central Bank of Bahrain for their visionary leadership, which has made Bahrain a key contender in regional financial markets. I also thank the Kingdom's financial services sector, financial institutions, and our stakeholders for their dedicated support.

Mohamed Ebrahim Al Bastaki
Chairman

Less contact,
more connectivity

Collaborating for Success



Benefit achieved several significant milestones in 2020, despite the challenges posed by the Coronavirus (COVID-19) pandemic. The year saw our B2C platform BenefitPay come into its own, exceeding 590,000 users, a more than 115% jump from 2019. This market penetration represents a customer base made up of the vast majority of bank account holders in the Kingdom. We also introduced new features aimed at making the app more user-friendly and convenient.

BenefitPay and Sadeem

A major highlight for 2020 was the announcement of our new partnership with Bahrain Petroleum Company (Bapco), in cooperation with Bapco Retail Company, which allows Sadeem users to pay for fuel and recharge their accounts using BenefitPay without having to carry physical cards. Since the service was launched in May 2020, we have recorded over 2.3 million transactions, indicating an exceptionally

FAWRI+

47.47 million

Transactions in 2020

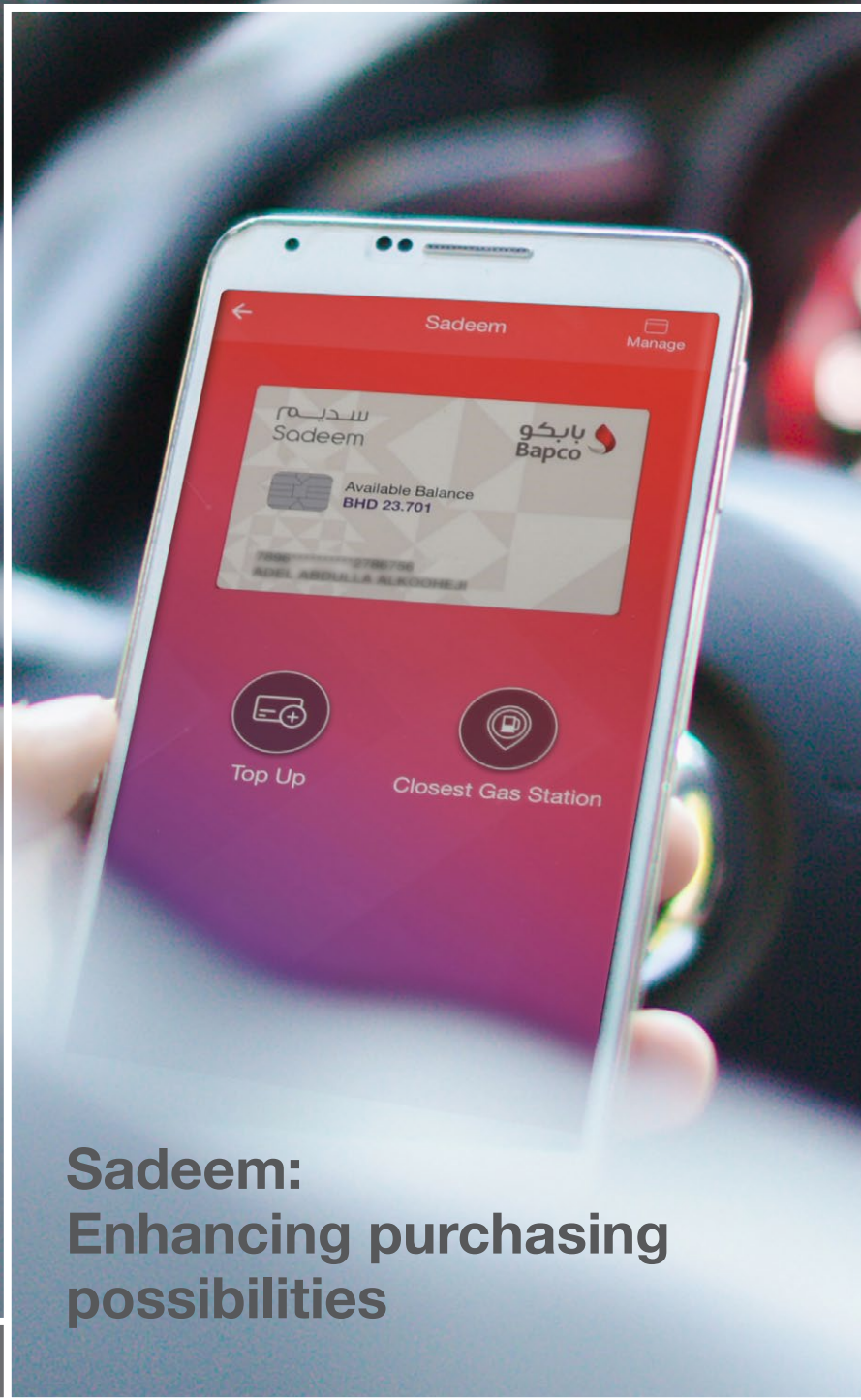
2.25 billion

Total transaction value across all channels in Bahraini Dinars

high level of acceptance. The move is in line with national directives and precautionary measures to limit the spread of COVID-19 in the Kingdom while encouraging electronic payments and supporting growing public demand for such services.

Check Account Balance Feature

BenefitPay was updated to allow users to view their bank account balances directly from the application. This new feature highlights our continuous pursuit to offer the app's users an enhanced experience, allowing them to conduct all of their financial transactions from a single intelligent application.



Sadeem: Enhancing purchasing possibilities

CONTACTLESS

CONNECTIVITY

CE Statement



A major highlight was the announcement of our new partnership with Bahrain Petroleum Company (Bapco), in cooperation with Bapco Retail Company, which allows Sadeem users to pay for fuel and recharge their accounts using BenefitPay.

BENEFIT is proud of the role it has played in the Bahraini economy over the past two decades. Offering a range of safe, hassle-free, and convenient payment options, we empower businesses to focus on their core activities and individuals to free up more of their time.

The COVID-19 pandemic forced all transactions in the Kingdom to move, almost overnight, into the online space. With the roll-out of a national curfew and the closure of non-essential businesses during the early stages of the pandemic, most of the Kingdom's population stayed home during the second quarter of the year. As a result, BENEFIT saw a sharp reduction in ATM withdrawals, one of the company's major sources of revenue.

There was, however, a dramatic spike in online transactions during this period as individuals used our Fawri, Fawri+, and Fawateer services

like never before to pay bills, make transfers, and purchase goods and services online. While this did not entirely offset the income loss from our ATM and POS businesses, we believe this challenging period marks the beginning of a major shift in payment habits that will benefit the nation in the long term.

The year saw BenefitPay surge in popularity with more than 590,000 registered users, a 115 percent jump from 2019. By making the app interface as simple and intuitive as possible, we have been able to connect even with less tech-savvy, typically older users and appeal to a wider demographic. We also highlighted the app's security features through a high-level national marketing campaign, which helped us dissolve the last remaining pockets of resistance towards this technology.

Although the social and economic effects of the pandemic are beyond our control, we can manage how we react to them. BENEFIT remains focused on the continuous improvement of our services and adding value to the community in Bahrain.

115%

Rise in registered BENEFIT Pay users, crossing 0.59 million users in 2020.

We introduced several new features aimed at making the app more accessible and convenient. A major highlight was the announcement of our new partnership with Bahrain Petroleum Company (Bapco), in cooperation with Bapco Retail Company, which allows Sadeem users to pay for fuel and recharge their accounts using BenefitPay.

Another achievement was the launch of Tap and Go, a new contactless payment method for BenefitPay users, enabling them to make digital purchases at POS machines using their Android smartphones. This new service, in line with the directives of the Central Bank of Bahrain (CBB), is linked to each bank in the Kingdom of Bahrain, in coordination with international financial payments and bank card companies such as Visa and MasterCard.

BenefitPay was also updated to allow users to view their bank account balances directly from the application. In 2020, the company made a strategic decision to improve its remittance offerings via BenefitPay. This will make it easier for customers to send funds across borders without having to visit exchange houses in person.

The year also saw key updates to the eKYC project, which was launched in 2019 in collaboration with the Information & eGovernment Authority (iGA) and under the supervision of the CBB. In 2020, BENEFIT also became a strategic partner in FinHub 973, a national initiative by the CBB. It is the region's first cross-border, digital innovation platform and facilitates collaboration between financial institutions and fintech companies.

At a time when businesses were cutting costs to offset the financial impact of the COVID-19 pandemic, BENEFIT continued to invest in the development of its services and infrastructure. Anticipating the immediate-term need for a greatly expanded digital payment infrastructure, our team worked tirelessly around the clock. Their hard work ensured the continued delivery of uninterrupted services, supporting the Kingdom in its battle against the virus while contributing to the Company's growth.

Of course, none of this would have been possible without BENEFIT's excellent team. During the year, BENEFIT continued to invest heavily in training and development to ensure that the knowledge quotient amongst our employees remains consistently high, and to create tangible value for our company, customers, and stakeholders.

I would like to take this opportunity to thank our Chairman and Board Members for their guidance and leadership during the year, and the Central Bank of Bahrain and our stakeholders for their unwavering support. Above all, I would like to thank our exceptional team members for their courage, commitment, and enthusiasm for helping to build the future of financial services in the Kingdom.

Abdulwahed AlJanahi
Chief Executive

Less contact,
more connectivity

Market-leading Innovation



Tap and Go

Another highlight was the launch of Tap and Go, a new contactless payment method for BenefitPay users, enabling them to make digital purchases at POS machines using their Android smartphones.

This payment method provides a high level of security, and operates on a system of tokenization; wherein the user's bank details are stored safely to ensure that no one can access their personal information. This new service comes under the directives of the Central Bank of Bahrain (CBB) and is linked to each bank in the Kingdom of Bahrain, in coordination with international financial payments and bank card companies such as Visa and MasterCard.

Regular NFC card payments are capped at BD 20 or BD 50, unless you enter your PIN. By contrast, Tap and Go distinguishes itself by removing the maximum limit of transactions. Rather than PIN codes, BenefitPay relies on smartphone security features such as auto-locking, face recognition, biometric identity authentication, and the PIN code on the device itself, for maximum user safety.

FAWATEER

4.2 million

Transactions in 2020

463.4 million

Total transaction value across all channels in Bahraini Dinars

FinHub973

In 2020, BENEFIT became a strategic partner in FinHub973, a national project developed in collaboration with the Central Bank of Bahrain (CBB). Powered by Fintech Galaxy, it is the region's first cross-border, digital innovation platform, facilitating collaboration between financial institutions and fintech companies, and offering local and global fintech providers a centralized digital sandbox for exploring, testing, and prototyping their solutions within the trusted regulatory framework of the CBB.

The platform showcases qualified fintech solutions providers for procurement, partnerships, and investment within Bahrain's ecosystem, while also interfacing with authorities to expedite regulatory testing and support business scalability.

eKYC

The year also saw key updates to the eKYC project, which was launched in 2019 in collaboration with the Information & eGovernment Authority (IGA) under the supervision of the CBB. The project provides a state-of-the-art online platform and database for financial institutions, enabling them to authenticate the identities of their clients and validate their information before granting financial services. It is also a valuable tool which allows fintech companies to register customers via online applications, and is in line with the Economic Development Board's (EDB's) objective to promote the Kingdom's growing fintech sector.

**Tap and Go:
Making payments
immediate and secure**

CONTACTLESS

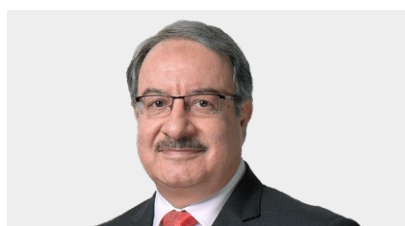
CONNECTIVITY

Board of Directors

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



Mohamed Ebrahim Albastaki
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



Hadyah Mohammed Fathalla
Independent Director



Yousef Rashid Al Fadhel
Central Bank of Bahraini 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:

- GCCNet
- GCCNet Dispute Management System
- GCCNet 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 the 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 the 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 to settle their clearing cheques in the same business day. This service enhances cash flow efficiency 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 enables Banks' customers to use and benefit from the EFTS's 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's 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's identity, and retrieve and process the KYC data for both Individual and Corporate customers. 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 customers' KYC data. It is a successful partnership between the private and public sector 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 centers, 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 regional dispute claims via hosting the GCCNet Dispute Management System website. The GCCNet Dispute Management System enables interbank claims and settlements of ATM cash withdrawals disputes between the GCC countries to be managed in an efficient effective manner assuring fast settlements of customers' disputed claims.

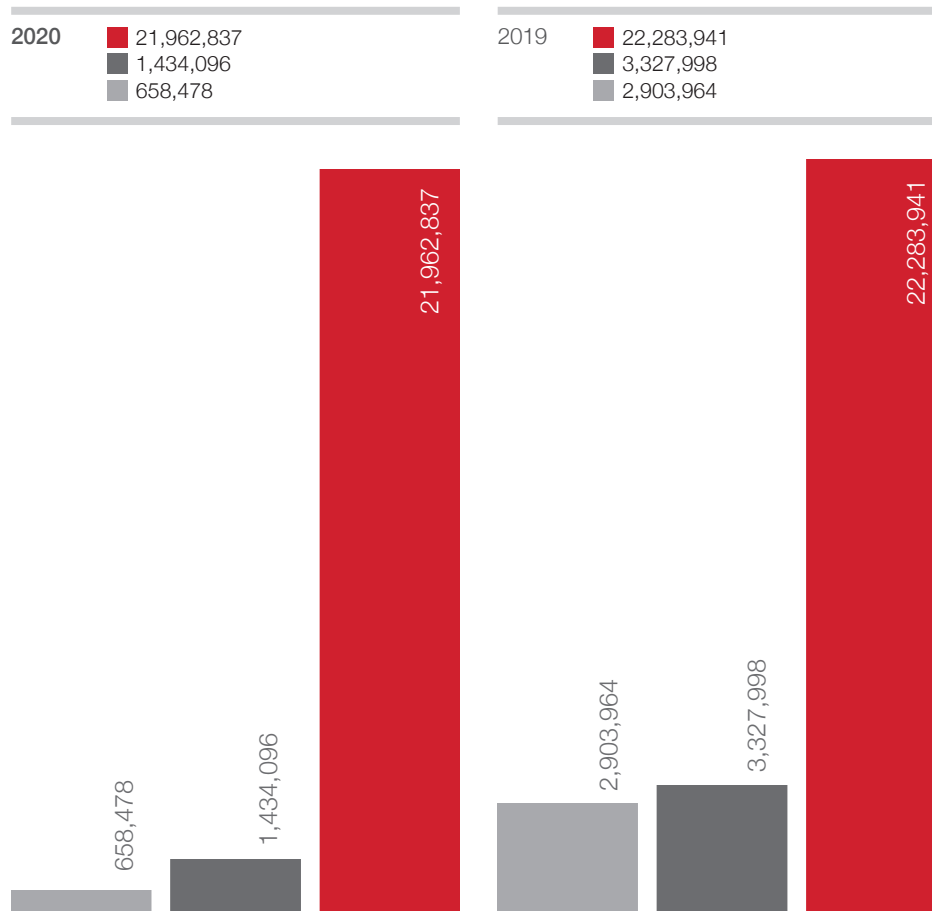
5 Year Growth

The last five years have seen BENEFIT continue its mission to add value for its stakeholders and the community through innovative and forward-looking solutions. The driving principles are speed, efficiency, accessibility, and user-friendliness, which help BENEFIT target an ever-growing segment of the population.

BENEFIT has been a strong partner to the Bahraini government in its objective to go fully digital, in line with the Economic Vision 2030. By providing a powerful business platform that supports all electronic payments across the public and private sectors, via services such as the Electronic Fund Transfer Systems (Fawri+,

Fawri, Fawateer), GCC Point of Sale, Bahrain Credit Reference Bureau, and the National Electronic Payment System (BenefitPay), BENEFIT has laid out the foundations for a sophisticated digital economy.

The initiative to build a robust digital payments infrastructure proved particularly prescient in 2020, when the economy relied heavily on electronic payments. With future trends expected to lean even more towards fintech solutions, BENEFIT is paving the way for a brighter tomorrow.



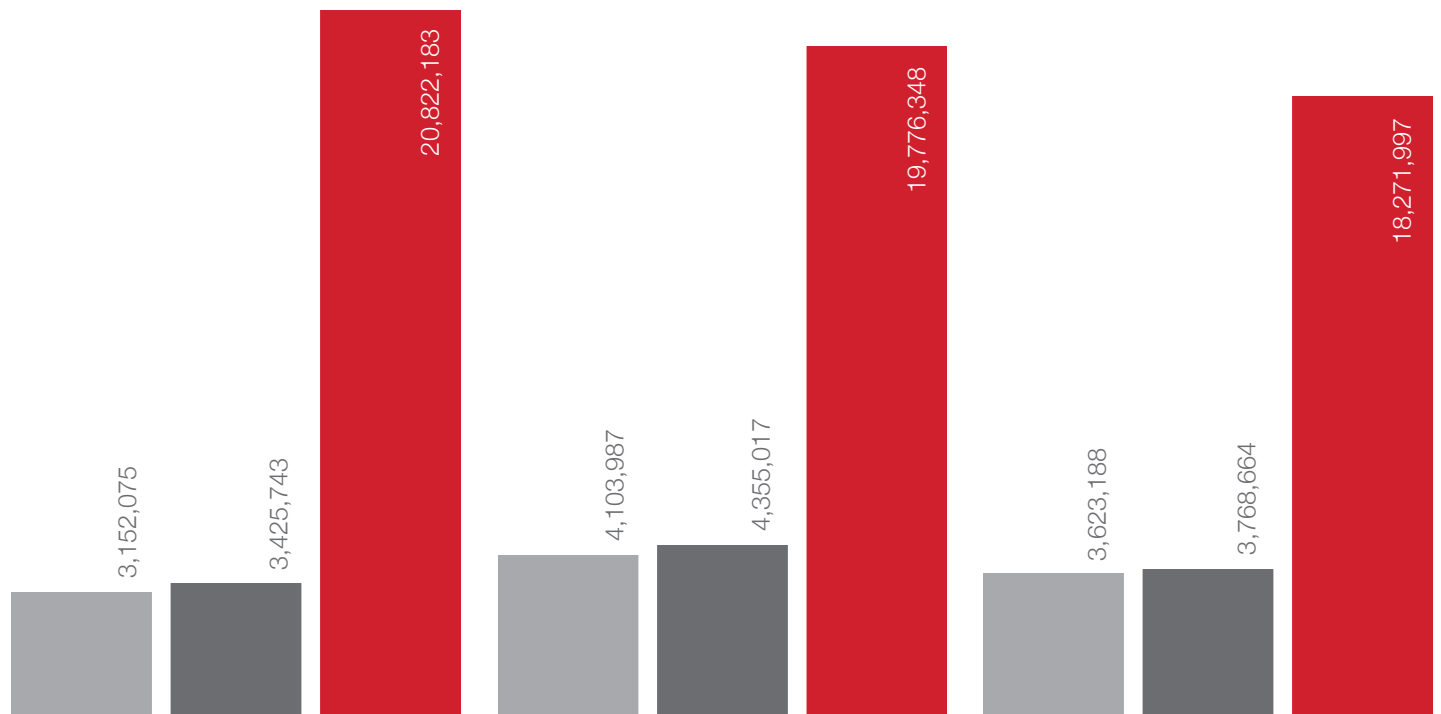
- Net assets
- Profits for the year
- Operating profits

BENEFIT	2016	2017	2018	2019	2020
Operating Profits	3,623,188	4,103,987	3,152,075	2,903,964	658,478
Profits for the Year	3,768,664	4,355,017	3,425,743	3,327,998	1,434,096
Net Assets	18,271,997	19,776,348	20,822,183	22,283,941	21,962,837

2018
■ 20,822,183
■ 3,425,743
■ 3,152,075

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

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



Management Team

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



Abdulwahed AlJanahi
Chief Executive

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 35 years of experience in the financial industry field covering marketing, telecom, and business development.



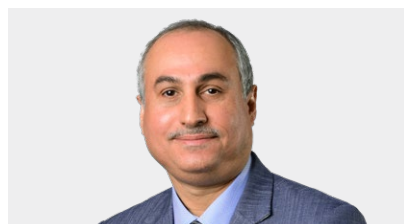
Yousif AlNefaei
Deputy CE, Business
Development and Services

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. AlNefaei has a total of 26 years of experience in the information technology and banking industries.



Reyadh Almeeraaj
AGM Information Technology

Joined the BENEFIT Company on October 3rd, 2017 with a BSc in Business Information Systems from the University of Bahrain and an MBA from University of Glamorgan in the United Kingdom. Mr. Almeeraaj has over 27 years of experience in information technology and telecommunications in the banking industry.



Nezar Maroof
AGM Marketing & Innovation

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 28 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 16 years of Credit Reference Bureau experience, in addition to 5 years in information technology.



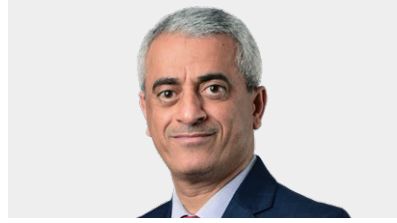
Layla Alqassab
Chief Financial Officer

Joined the BENEFIT Company in January 2018, Mrs. Alqassab is a Fellow Member of the Association of 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 at Big 4 firms and international banks.



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 a total of 24 years of experience in developing and supporting payment systems.



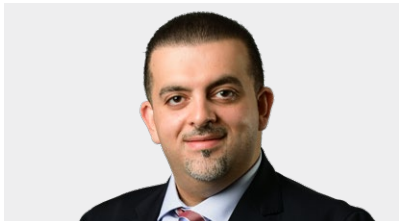
Salah Al Awadhi
Head of Human Resources & Administration

Joined the BENEFIT Company on September 2015, with a CIPD level 5. Mr. Salah brings to BENEFIT a total of 12 years of 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, 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 21 years of experience.



Mansoor AlAlwan
Head of Internal Audit

Joined the BENEFIT Company in 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 10 years of experience in internal and external audits, IT advisory / consultancy, and IT management from working with various industries across Bahrain and GCC.



Maryam Kamal
Compliance Manager

Joined the BENEFIT Company on February 2018. She holds a Masters in Finance with distinction from DePaul University - USA, International Diploma in Governance, Risk and Compliance from ICA and Certified Risk and Compliance Management Professional from CRCMP. Mrs. Maryam has a total 8 years of experience of Regulatory Compliance.

Exceptional Talent



Sourcing and developing local talent remains a priority for BENEFIT. Our Bahrainisation rate stands at 94 percent, of which 34 percent are women.

BENEFIT in the Community

BENEFIT understands the importance of investing in talent; although income was impacted by the global coronavirus pandemic, we resumed our hiring practices after a hiatus, with several new members joining the company's IT team in non-managerial capacities. The situation also led to revised practices for office attendance and training, during a time when Benefit had also completed a full upgrade of its HR system to make it more user-friendly.

Only half of the BENEFIT team worked from the head office, with appropriate social distancing measures and health precautions being instituted. Twenty percent were based at Benefit's Disaster Recovery Site, while the remaining 30 percent worked from home.

Two training sessions were undertaken in January and February in association with the Bahrain Institute of Banking and Finance. Throughout the rest of the year, team members were encouraged to continue updating their skillsets by attending virtual trainings and webinars organised by the University of Bahrain and the Bahrain Chamber of Commerce and Industry, and to keep abreast of banking industry developments.

While the pandemic made normal celebrations impossible, the company still marked important occasions such as National Day and Bahraini Women's Day through socially-distanced events. A company dinner at the Food Truck District was also a welcome morale booster.

Sourcing and developing local talent remains a priority for BENEFIT. Our Bahrainisation rate stands at 94 percent, of which 34 percent are women. Nearly 20 percent of the company's executive management team is female, as are four out of 11 senior management members.

To offset the effects of the COVID-19 pandemic by supporting affected families, BENEFIT donated BHD 200,000 to the national Feena Khair campaign. The program was launched by HM the King's Representative for Humanitarian Work and Youth Affairs, National Security Advisor and Royal Humanitarian Foundation Board of Trustees' Chairman, HH Shaikh Nasser bin Hamad Al-Khalifa. The campaign provided meals and medical assistance to families in need, as well as laptops so that students could continue their education online.

Education is an important area of contribution for BENEFIT, as the Company believes in creating the leaders of tomorrow. As a technology centred organization, BENEFIT is particularly interested in the fields of fintech and AI, areas which represent the nation's biggest commercial opportunity in today's fast-changing economy.

In partnership with the University of Bahrain (UOB), BENEFIT established an Advanced Artificial Intelligence and Computing Lab which will serve to strengthen AI research and innovation into areas such as cybersecurity and fraud detection, big data for sustainable energy, particle physics, energy and petroleum engineering, and climate change and sea water level forecasting.

It will enable UOB staff and students to conduct cutting-edge AI learning and research and meet entrepreneurs' needs for high-performance computing. The Lab will also organize annual national contests in AI research and solutions and will help to build partnerships to strengthen Bahrain's capacity for technological advancement.



Corporate Governance

1. BENEFIT Corporate Governance Report 2020

The BENEFIT Company B.S.C aspires to build a system that is extracted from the Corporate Governance Code of Bahrain 2010 which was introduced by the Central Bank of Bahrain, with 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 are 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, 2 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 Albastaki	Chairman – Independent Director	Chairman of NRGC
2	Ahmed Abdulrahim Bucheery	Vice Chairman - Executive Director	Member of AC
3	Tala Abdulrahman Fakhro	Non-Executive Director	Member of NRGC
4	Abdulrazaq Abdulkhaleq	Non-Executive Director	Chairman of AC
5	Dr. Adel Abdulla Salem	Executive Director	Member of NRGC
6	Jayaraman Gurumurthy	Executive Director	Member of AC & CRC
7	Khaled Abi Khalil	Executive Director	Member of NRGC & CRC
8	Hadyah Mohammed Fathalla	Independent Director	Chairwomen of CRC & member of AC
9	Yousef Rashid Al Fadhel	Director - CBB Observer	Member of CRC

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 and Vice Chairman, proposing Board members for election to the Board, and constituting committees of the Board.

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 Albastaki	-	Board Member - Seef Properties, Fraiser Suites, SINNAD, SIO and Osool Company. Board Trustee - Kingdom University
Ahmed A. Rahim	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	Board Member - Bahrain Development Bank Board Member - SICO
Abdulrazaq Abdulkhaleq	-	Chairman Audit Committee - Sinnad. Board Member - Bahrain Specialist Hospital & ITQAN CAPITAL. Chairman Audit Committee - Bahrain Specialist Hospital Board Member and executive committee Member - Al Baraka Islamic Bank Bahrain.
Dr. Adel Abdulla Salem	General Manager Retail Banking - BBK	Board Member - Invita Claims Management Company Board Member - CrediMax BSC Board Member - BENEFIT Company
Gurumurthy Jayaraman	Group Head of Technology - AUB	Board Member - Bahrain Fintech Bay (Aug 2020)
Khaled Abi Khalil	Chief Operating Officer - SCB - Middle East Countries (excluding UAE)	Board Member - Standard Chartered Metropolitan Holding - Lebanon
Hadyah Mohammed Fathalla	Director of Strategic Projects - Office of His Majesty's Representative for Humanitarian Works and Youth Affairs	Board Member - Peregrine Partners Fund Company & 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 Committee (AC):

The AC 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, and the compliance with CBB and MOICT laws and regulations and the Company's code of conduct.

3.4.2 The Cyber and Risk Committee (CRC):

The CRC shall assist the Board of Directors in overseeing the responsibilities for Cyber Security & Risk controls frameworks and policies, current and future risk exposure and future Cyber Security and Risk strategy.

3.4.3 The Nomination, Remuneration and Governance Committee (NRGC):

The NRGC reviews the Board composition and succession planning and reports issues related to Corporate Governance and assists 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 do not need 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 was BHD 172,000 for the year 2020. The received sitting fees for attending the meetings of the Board, AC, CRC and NRGC for a total amount of BHD 60,000 for 2020.

3.6 Board Appointment

All Board members have signed the Board of Directors appointment letter when they join the Board.

3.7 Board and Committee Evaluation

The Board performs a self-evaluation on an annual basis. The NRGC reviews self-evaluations of individual Board members and the Committees and recommends them to the Board for their approval.

3.8 Board Induction

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

Corporate Governance continued

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 2020 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	6	6					2	2	8	8	100%
AbdulRazaq AbdulKhalil	6	6			4	4			10	10	100%
Adel Salem	6	6					2	2	8	8	100%
Ahmed A. Rahim	6	6			4	4			10	10	100%
Guru Jay	6	6	4	4	4	4			14	14	100%
Hadyah Fathalla	6	6	4	4	4	4			14	14	100%
Khaled Abi Khalil	6	6	4	4			2	2	12	12	100%
Tala Fakhro	6	6					2	2	8	8	100%
Yousif Al Fadhel	6	5	4	4					10	9	90%

Board meetings attendance in 2020

During 2020, 6 Board meetings were held in the Kingdom of Bahrain in the following manner:

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

Members	19 Feb	15 Apr	30 Jun	9 Sep	6 Oct	18 Nov
Mohammed Ebrahim	✓	✓	✓	✓	✓	✓
Ahmed A. Rahim	✓	✓	✓	✓	✓	✓
Adel Salem	✓	✓	✓	✓	✓	✓
Abdul Razaq Abdul Khalil	✓	✓	✓	✓	✓	✓
Hadyah Fathalla	✓	✓	✓	✓	✓	✓
Tala Fakhro	✓	✓	✓	✓	✓	✓
Yousif Al Fadhel	✓	✓	✓	✓	✓	✗
Guru Jay	✓	✓	✓	✓	✓	✓
Khaled Abi Khalil	✓	✓	✓	✓	✓	✓

Cyber & Risk Committee meetings in 2020

Members	17 Mar	28 Jun	26 Aug	4 Nov
Hadyah Fathalla	✓	✓	✓	✓
Guru Jay	✓	✓	✓	✓
Khaled Abi Khalil	✓	✓	✓	✓
Yousef AlFadhel	✓	✓	✓	✓

Audit Committee meetings in 2020

Members	16 Feb	27 Apr	27 Jul	27 Oct
Abdulrazaq Abdul Khaliq	✓	✓	✓	✓
Ahmed A. Rahim	✓	✓	✓	✓
Guru Jay	✓	✓	✓	✓
Hadyah Fathalla	✓	✓	✓	✓

Nomination, Remuneration & Governance Committee meetings in 2020

Members	6 Feb	28 Oct
Mohammed Ebrahim	✓	✓
Khaled Abi Khalil	✓	✓
Adel Salem	✓	✓
Tala Fakhro	✓	✓

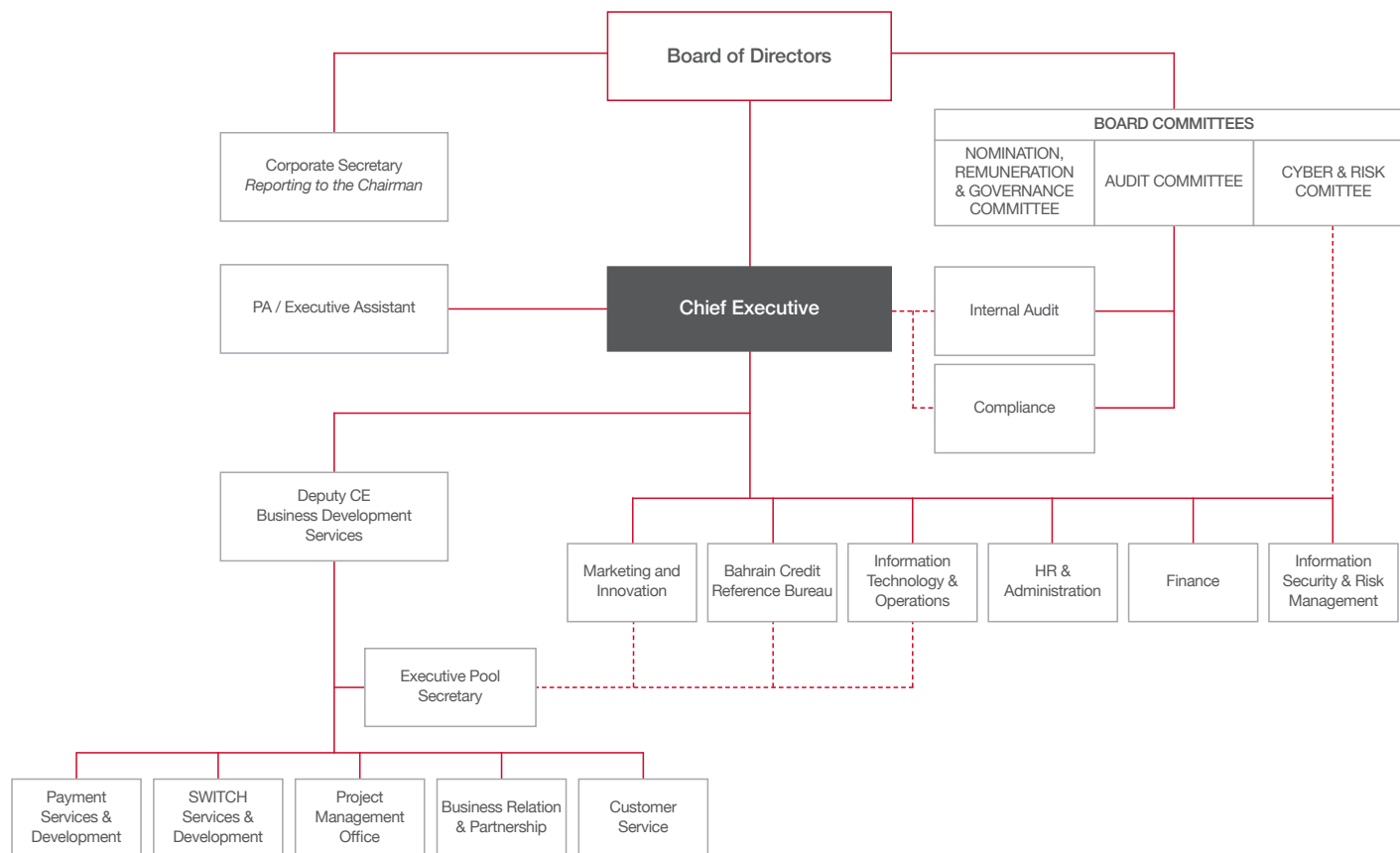
4. Annual General Meeting (AGM)

The AGM was held on 29th March 2020.

Corporate Governance continued

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 & Services, Marketing & Innovation, Bahrain Credit Reference Bureau (BCRB), Information Technology & Operations, Risk Management & Information Security, Human Resources & Administrations, and Finance. The structure also includes Internal Audit and Compliance that has direct access to the CE and Board of BENEFIT through the Audit Committee.

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 a 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 unfavourably impact the company, its customers, shareholders, employees, or the public at large. The Policy provides all employees sufficient protection for such.

8. Conflicts of Interest

The Company has a documented policy for Conflict of Interest and Connected Parties. In the event that the Board or its Committees considers there to be any issues involving conflict of interest by Directors, decisions are to be 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. Conflicts of Interest

The Board has formed a NRCG to evaluate the performance linked incentive structure for the key management personnel. Please refer to Audited financials under note 15 (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), 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's 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 15 (b).

11. Communication

The Company is not publicly listed; however, the Company's website is updated with the Annual Report as well as shareholders having access to any information required i.e. related to financial and others through the CE. The annual report for 2020 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.

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

Corporate Governance continued

14. Internal Control

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

15. Financial Preparation

The Audit Committee on a quarterly basis review the audited financials with external auditors and management, and accordingly seek 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 NRGC for Board approval. Executive Management remuneration shall be decided by the NRGC. 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. 2020 audit fees are BHD 12,100 and non-audit services fees are BHD 3,550.

18. Corporate Social Responsibility

To support social welfare and give back to society, the Board has decided to allocate an amount of the net profit as a charity reserve which was approved at the AGM. Due to the COVID-19 pandemic, the Board agreed to donate BHD 200,000 from the charity reserves for Feenah Khair Campaign.

18. 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 current structure of the Board, there is an absence of a majority of independent directors in the audit committee. However, the committee members have financial literacy and technology backgrounds.
- The Board of Directors is comprised of nine directors (3 appointed by major shareholders, 3 elected by the remaining shareholders, and 2 independent directors and 1 director from CBB as an observer) which is more than the maximum number of directors (5) as per the CBB rulebook and this is due to the nature of business of the Company and as advised by the Central Bank of Bahrain.

General Assembly Meeting

Minutes	29 March 2020	10:02 AM
Meeting Called by	The Benefit Company	
Type of Meeting	General Assembly Meeting For 2019	
Attendees	As Per Attendees List	

The Chairman, Mr. Mohamed Ebrahim Al Bastaki chaired the meeting and confirmed we had a quorum of 95.68%. Chairman advised the meeting is being held electronically in coordination and under the direction of the Central Bank of Bahrain (CBB) and the Ministry of Industry, Commerce and Tourism.

Agenda topics

1. Approve the Minutes of the Previous Annual General Meeting of the Company Held on 27 March 2019.

The Chairman advised the Shareholders the minutes of the previous Annual General Meeting (AGM) held on 27 March 2019 was distributed along 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 27 March 2019 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 31st December 2019.

The Chairman gave a brief update on the Board of Director's report on the company's business for the financial year ended 31st December 2019. 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 2019.

3. Review the External Auditor's Report on the Company's Consolidated Financial Statements for the Financial Year Ended 31st December 2019.

KPMG read the external auditor's report on the company's consolidated financial statements for the financial year ended 31st December 2019. 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 31st December 2019.

4. Discuss and Approve the Company's Consolidated Financial Statements for the Financial Year ended 31st December 2019.

The Chairman briefed the shareholders on the company's consolidated financial statements for the financial year ended 31st December 2019 and advised that a copy of the financial statements was distributed for reference.

Representative of HSBC enquired about the reason for the increase in HR costs during the year 2019. The Chief Executive advised that the increase in cost is due to the number of projects and recruitment of staff for the projects. The Representative also enquired whether Sinnad (fully owned subsidiary) has its own financial records. The CE explained that Sinnad has its own financial statements which are then consolidated in the group accounts of BENEFIT. Therefore, the increase in staff cost is the result of a consolidation of additional staff cost from BENEFIT and Sinnad. There were no further comments or questions raised. The consolidated financial statements were approved.

Resolution 4 – The Shareholders approved the consolidated Financial Statements for the Financial Year Ended 31st December 2019.

The Chairman further advised that 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 5 – The Shareholders approved the Related Party Transactions.

5. Discuss and Approve the Board of Directors Recommendation for the Following Appropriations of the Year 2019 Net Profit, Subject to the Approval of the Central Bank of Bahrain.

Chairman advised the Shareholders; the Board of Directors have recommended the following appropriations of the net profit for the year 2019 after obtaining the approval of the Central Bank of Bahrain.

General Assembly Meeting continued

- a. Distribution of cash dividends to the shareholders amounting to BD1,555,200 at 50% of the paid-up capital.
- b. Transfer BD411,854 to general reserve.
- c. Allocation of BD205,927 to the charity reserve.
- d. Transfer BD1,155,017 to retained earnings.

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

Resolution 6 – The above recommended appropriation of the Net Profit for 2019 was approved by the Shareholders.

6. Approval of Recommendation to Allocate BD 163,993 as Remuneration for the Members of the Board of Directors for 2019.

Chairman advised the shareholders of the recommendation to allocate BD163,993 as remuneration for the Board of Directors for 2019. There were no comments or questions raised and the allocation was approved.

Resolution 7 – The Shareholders approved the recommendation to allocate BD163,993 as remuneration for the Board of Directors for 2019.

7. Discuss and Approve the Corporate Governance Report for the Year Ended 31 December 2019 and the Company's Compliance as Per the Requirements of the Central Bank of Bahrain and The Ministry of Industry, Commerce & Tourism.

Chairman advised that the Corporate Governance Report for year ended 31st December 2019 is enclosed in the Annual Report for reference. There were no comments or questions raised and the report was approved.

Resolution 8 – The Corporate Governance report for the year ended 31 December 2019 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 2019.

The Shareholders were asked to absolve the Board of Directors from any liability related to their conduct during the year ended 31st December 2019. There were no question raised and the request was approved by the Shareholders.

Resolution 9 – The Shareholders absolved the Board of Directors from their legal liability during the year ended 2019.

9. Approve the Board of Directors Recommendations on the Re-Appointment of KPMG as External Auditors for the Year 2020, Subject to the Approval of the Central Bank of Bahrain, and to Authorise the Board of Directors to Determine Their Remuneration.

The Board of Directors recommended to re-appoint KPMG as external auditors for the year 2020, 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 10 - The Shareholders approved the recommendation to re-appoint KPMG as external auditors for the year 2020.

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 by thanking His Majesty the King Shaikh Hamad bin Isa Al Khalifa and His Royal Highness Prince Salman bin Hamad Al Khalifa for their trust, guidance and support.

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

Chairman then thanked the Board for their efforts, contribution and value-added input to the Company. Chairman added that the Board of Directors is committed to support the government in achieving their goals and vision. The Chairman also thanked Management and Staff for their achievements.

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



Mohamed Ebrahim Al Bastaki
Chairman



Abdulwahed Al Janahi
Chief Executive

Report of the Directors

For the year ended 31 December 2020

The Directors submit their report dealing with the activities of The Benefit Company (“BENEFIT” or “the Group”) for the year ended 31 December 2020, together with the audited consolidated financial statements for the year then ended.

Business Review

Despite the onset of a Pandemic and the strict measures that have taken a financial toll on many organizations including BENEFIT, the Group continued its commitment towards advancing the digitization of the payment infrastructure in Bahrain and thus 2020 was a transformational year full of digital services offered by BENEFIT to its stakeholders and the society.

BENEFIT launched in collaboration with CBB and Banks, a national Tokenization service, which enables mobile contactless payments (NFC) through the national mobile wallet BenefitPay. The project has been implemented in collaboration with international schemes such as VISA and MasterCard for debit/credit cards mobile contactless payments and is 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 PSPs, TPPs, Start-ups and others.

During 2020, BenefitPay was the focus of the BENEFIT strategy and roadmap through the implementation and launch of new features within the app to enable a cashless society. The launch of Fuel payment through BenefitPay has truly transformed a cash centric segment into one which is electronic and innovative all while ensuring smoothness of the service and the best customer experience. Further features included split payment, request to pay, UI/UX enhancements for better customer experience, account balance information, the enablement of remittance and car parking counter payment, all of which helped increase the penetration of electronic payments in cash-based sectors during the Covid19 situation.

In addition, BENEFIT carried out a major upgrade of its E-Commerce (Payment Gateway) platform to provide a state of art solution with many value-added services that aim for full customer satisfaction and which meet all the customer requirements and demands for this very important service.

Similarly, BENEFIT has continued evolving its existing services to cater for the leap of digital transformation in the sector. BENEFIT has successfully empowered its eKYC shared platform to cater for digital onboarding by providing complete sets of APIs integrated with its blockchain which had a positive impact on the development of the Fintech echo system.

In 2020, the Bahrain Credit Reference Bureau (BCRB) worked on enhancing its digital integration with various stakeholder to ensure the offering of complete digital services. The online Credit Report service offered by BCRB in collaboration with the iGA on bahrain.bh has noticed a significant growth rate of 130% in monthly transactions compared to 2019. A further increase was noticed during 2020 in the number of banks and credit providers who have digitally integrated with BCRB to offer straight through credit application processing allowing for the offering of loans and credit facilities online in few seconds.

The Electronic Funds Transfer System (EFTS) transactions experienced significant growth in 2020 with over 47 million transactions recorded in Fawri+ service in comparison to 6.3 million transactions in 2019, which is a growth of 652%. Further, around 8.7 million transactions were carried out on Fawri with a growth rate of 23% as compared to 2019. Fawateer service has noticed a substantial growth in 2020 as well, with 4.19 million transactions representing a 111% growth rate compared to 2019.

The main feature that accelerated the growth of electronic payments was the National Wallet (BenefitPay) with 50 million transactions at a value of over BD 2.3 billion, representing 793% growth in volumes and over 545% in values. Growth was also experienced in POS and E-Commerce services at 40% and 84% respectively. Such growth was enabled by the easiness and convenience of BENEFIT services availed to the end users and merchants; in addition to the enrolment of key sectors such as fuel, untapped merchants (almost 3,000 new merchants enrolled in BenefitPay in 2020), and remittance.

Consolidated financial position and results

The consolidated financial position of the Group as of 31 December 2020, together with the consolidated results for the year ended is set out in the accompanying consolidated financial statements.

The Group has reported a net profit of BD 1.4 million for the year ended 31 December 2020 attributable to the equity shareholders of the Group, as compared to a net profit of BD 3.3 million for 2019. Total net assets at 31 December 2020 amounted to BD 21.9 million (31 December 2019: BD 22.3 million).

Report of the Directors continued

For the year ended 31 December 2020

Recommended Appropriations and Board Remuneration for 2020

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:

	2020 (BD)	2019 (BD)
Dividends	311,040	1,555,200
General reserve	6,558	411,854
Charity reserve	40,000	205,927
Total appropriations	357,598	2,172,981

The following represents the total annual remuneration and sitting fees paid to the Board of the Directors for the year 2020:

	2020 (BD)	2019 (BD)
Sitting Fees	74,400	93,587
Directors Remuneration	142,500	163,993

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

Auditors

The auditors, KPMG Fakhro, have expressed their willingness to be reappointed as auditors of the Group for the year ending 31 December 2021.

Outlook for 2021

There are new innovative services being initiated by BENEFIT for 2021 which are primarily focused on the development of BenefitPay as a lifestyle and the growth of the BENEFIT Data arm.

The Group will focus on developing additional features in BenefitPay during 2021 such as the E-cheque, remittances and ads service through BenefitPay. BENEFIT will also introduce a dedicated mobile application for corporate use under the E-Cheque. Along with the introduction of the E-Cheque, the national PKI-CA of Bahrain will be introduced which will provide digital signatures that are trusted and certified as per the local laws and regulations for all retail and corporate customers. The PKI-CA service is considered a vital National Infrastructure that shall further support and foster the digital transformation in the financial payments and beyond. Additionally, there will be an introduction of further added value services on top of BCTS such as centralized warehouse of post-dated cheques, central cheque abusers management system, and remote deposit services.

BENEFIT will continue its collaboration with its stakeholders to offer strategic initiatives and services to support the ease of doing business in Bahrain focusing on empowering SMEs access to finance. The year 2021 will be focused on multiple initiatives to be offered for SMEs such as SMEs Rating, SME Market Place and Loan matching.

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 Salman bin Hamad Al Khalifa, the Crown Prince, Deputy Supreme Commander and 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 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 Albastaki

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 2020, 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 2020, 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 International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 1 to 3.

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

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

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.

Independent Auditors' Report to the Shareholders continued

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

- a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- b) the financial information contained in the 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
24 February 2021



Consolidated Statement of Financial Position

as at 31 December 2020

(Bahraini Dinars)

	Note	2020	2019
Assets			
Furniture and equipment	4	1,013,239	1,349,483
System software	5	2,301,092	1,776,522
Capital-work-in-progress	6	6,039,325	548,159
Right-of-use assets	12	158,932	883,920
Other assets		139,168	139,168
Total non-current assets		9,651,756	4,697,252
Cash and bank balances		4,745,607	5,393,718
Balance with Central Bank of Bahrain		6,450,667	4,789,052
Balance with other central banks		3,172,664	3,057,372
Deposits with banks		-	2,460,043
Treasury bills		-	4,881,827
Trade receivables	7	1,143,121	654,286
Prepaid expenses and other receivables		602,522	315,798
Total current assets		16,114,581	21,552,096
Total assets		25,766,337	26,249,348
Equity and liabilities			
Share capital	1	3,110,400	3,110,400
Statutory reserve		1,612,138	1,612,138
General reserve		1,548,642	1,136,788
Charity reserve		391,746	385,819
Retained earnings		15,299,911	16,038,796
Total equity (page 8)		21,962,837	22,283,941
Liabilities			
Non-current portion of lease liability	13	75,611	865,819
Non-current portion of deferred income		222,593	293,153
Provision for employees' leaving indemnities	8	258,340	195,619
Total non-current liabilities		556,544	1,354,591
Trade payables and accrued expenses	9	2,555,970	2,036,442
Payable for acquisition of shares in Subsidiary		221,970	221,970
Current portion of lease liability	13	129,347	55,251
Current portion of deferred income		339,669	297,153
Total current liabilities		3,246,956	2,610,816
Total equity and liabilities		25,766,337	26,249,348

The consolidated financial statements have been approved by the Board of Directors on 24 February 2021 and signed on their behalf by:



Mohamed Ebrahim Al Bastaki
Chairman



Ahmed A. Rahim
Vice Chairman



Abdulwahed AlJanahi
Chief Executive

The accompanying notes 1 to 23 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 2020

(Bahraini Dinars)

	Note	2020	2019
Revenue			
Switch	10	6,654,828	8,249,931
BCRB		934,595	968,984
BCTS		498,269	563,256
EFTS		1,147,403	887,360
eKYC		264,030	58,346
Card services	11	1,675,925	1,195,532
Total operating revenue		11,175,050	11,923,409
Operating expenses			
Staff cost		4,435,210	3,909,114
Cost of provision of services	14	2,882,877	2,265,995
Depreciation and amortisation	4,5,12	1,485,143	1,188,155
Other operating expenses	15	1,713,342	1,656,181
Total operating expenses		10,516,572	9,019,445
Operating profit		658,478	2,903,964
Interest income	16	108,425	319,723
Interest expense on lease liability		(43,088)	(68,936)
Other income	17	710,281	173,247
Profit for the year		1,434,096	3,327,998
Other comprehensive income for the year		-	-
Total comprehensive income for the year		1,434,096	3,327,998


The consolidated financial statements have been approved by the Board of Directors on 24 February 2021 and signed on their behalf by:



Mohamed Ebrahim Al Bastaki
Chairman



Ahmed A. Rahim
Vice Chairman



Abdulwahed AlJanahi
Chief Executive

The accompanying notes 1 to 23 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

(Bahraini Dinars)

	Share capital	Statutory reserve	General reserve	Charity reserve	Retained earnings	Total
At 1 January 2020	3,110,400	1,612,138	1,136,788	385,819	16,038,796	22,283,941
Profit and total comprehensive income for the year	-	-	-	-	1,434,096	1,434,096
Dividend declared in 2019	-	-	-	-	(1,555,200)	(1,555,200)
Charity paid during the year	-	-	-	(200,000)	-	(200,000)
Transfer to charity reserve	-	-	-	205,927	(205,927)	-
Transfer to general reserve	-	-	411,854	-	(411,854)	-
At 31 December 2020	3,110,400	1,612,138	1,548,642	391,746	15,299,911	21,962,837

	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

The accompanying notes 1 to 23 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2020

(Bahraini Dinars)

	Note	2020	2019
Operating activities			
Cash received from switch operations		6,646,380	8,231,067
Cash received from BCRB operations		892,285	951,457
Cash received from card services		1,675,925	1,493,583
Cash received from BCTS operations		498,335	560,052
Cash received from EFTS operations		979,719	787,106
Cash received from eKYC		226,610	97,810
Payments for operating expenses		(8,951,368)	(7,232,041)
Payment for directors' remuneration		(172,507)	(149,916)
Other receipt		656,720	-
Net cash generated from operating activities		2,452,099	4,739,118
Investing activities			
Purchase of furniture and equipment		(196,435)	(210,218)
Purchase of software		(828,003)	(109,871)
Payments for capital-work-in-progress		(5,826,265)	(1,163,729)
Maturity of treasury bills		4,956,800	-
Maturity of / (new) deposits with banks		2,521,940	(281,762)
Interest received on current account		6,879	6,730
Net cash generated from / (used in) investing activities		634,916	(1,758,850)
Financing activities			
Dividend paid		(1,555,200)	(1,866,240)
Charity paid		(200,000)	-
Lease liability payment		(203,019)	(198,555)
Net cash used in financing activities		(1,958,219)	(2,064,795)
Net increase in cash and cash equivalents		1,128,796	915,473
Cash and cash equivalents at beginning of year		13,240,142	12,324,669
Cash and cash equivalents at end of the year		14,368,938	13,240,142
Cash and bank balances		4,745,607	5,393,718
Balance with Central Bank of Bahrain		6,450,667	4,789,052
Balance with other central banks		3,172,664	3,057,372
		*14,368,938	*13,240,142

*The amount reported is net of ECL amounting to BD 2,348 (2019: BD 1,941).

The accompanying notes 1 to 23 are an integral part of these consolidated financial statements.



Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

(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 2019: 100%) in Sinnad W.L.L (“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.

This is the audited consolidated financial statements of the Company and its Subsidiary (together referred to as the “Group”) as at and for the year ended 31 December 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 (BD), which is also the Group’s functional currency.

d) COVID-19

On 11 March 2020, the Coronavirus (COVID-19) outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. COVID-19 has also brought about significant uncertainties in the global economic environment. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures.

The management and board of directors has been closely monitoring the impact of the COVID-19 developments on the Group’s operations and financial position; including possible loss of revenue, impact on asset valuations, impairment, review of onerous contracts, outsourcing arrangements etc. The Group has also put in place contingency measures, which include but are not limited to enhancing and testing of business continuity plans. Based on their assessment, the management and board of directors has concluded that the Group will continue as a going concern entity for the next 12 months.

In preparing the consolidated financial statements, judgements made by management in applying the Group’s accounting policies and sources of estimation are subject to uncertainty regarding the potential impacts of the current economic volatility and these are considered to represent management’s best assessment based on available or observable information.

The Government of Kingdom of Bahrain has announced various economic stimulus programmes (“Packages”) to support businesses in these challenging times. The Group received some benefits from these Packages in the form of partial reimbursement of salaries of employees from the Unemployment Fund for three months from April 2020.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

(Bahraini Dinars)

2 BASIS OF PREPARATION (continued)

e) New standards, amendments and interpretations effective from 1 January 2020

The following relevant amendments to existing standards and framework have been applied by the Group in preparation of these consolidated financial statements. The adoption of the below amendments did not result in changes to previously reported net profit or total equity of the Group.

<i>Description</i>	<i>Effective from</i>
Definition of Material – Amendments to IAS 1 and IAS 8	1 January 2020
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020

f) 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 on or after 1 January 2021 and early adoption is permitted; however the Group has not early adopted any new or amended standards in preparing these consolidated financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been consistently applied by the Group and are consistent with those applied in the previous year.

a) 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.

b) 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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

(Bahraini Dinars)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Revenue recognition (continued)

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.

(ii) Interest Income

Interest income is recognised using the effective interest rate method.

c) 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.

d) 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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

(Bahraini Dinars)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Furniture, equipment, software and capital-work-in-progress (continued)

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

System hardware	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.

e) Cash and cash equivalents

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

f) Trade receivables

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

g) Trade and other payables

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

h) Provisions

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

i) Dividends

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

j) Government grants

Government grants are recognised when there is reasonable assurance that the entity will comply with the relevant conditions and the grant will be received. Grants are recognised as other income in profit or loss on a systematic basis as the Group recognizes as expenses the costs that the grants are intended to compensate. Grants that relate to the acquisition of an assets are recognised in profit or loss as the assets is depreciated or amortised.

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.



Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

(Bahraini Dinars)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Foreign currency transactions

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

m) Critical accounting estimates and judgments in applying accounting policies

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

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

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.

o) Right-of-use assets and lease liabilities

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 carried at amortized cost using effect interest rate method. 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.

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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

(Bahraini Dinars)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Right-of-use assets and lease liabilities (continued)

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.

4 FURNITURE AND EQUIPMENT

2020	System hardware	Computers	Furniture, Fixture, Office Equipment & Vehicle	2020 Total	2019 Total
Cost					
At 1 January	3,408,716	497,294	252,438	4,158,448	3,610,534
Additions	103,263	68,364	25,229	196,856	563,463
Disposals	-	(3,631)	-	(3,631)	(15,549)
At 31 December	3,511,979	562,027	277,667	4,351,673	4,158,448
Depreciation					
At 1 January	2,497,392	180,489	131,084	2,808,965	2,324,862
Charge for the year	458,153	31,515	43,432	533,100	499,289
Disposals	-	(3,631)	-	(3,631)	(15,186)
At 31 December	2,955,545	208,373	174,516	3,338,434	2,808,965
Carrying value at 31 December	556,434	353,654	103,151	1,013,239	1,349,483

5 SYSTEM SOFTWARE

	2020	2019
At 1 January	1,776,522	1,048,273
Additions during the year	1,303,943	1,255,293
Amortised during the year	(779,373)	(527,044)
At 31 December	2,301,092	1,776,522

6 CAPITAL-WORK-IN-PROGRESS

Capital-work-in-progress include acquisition of a building during the year. Currently the building is under final stages of fit-out.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

(Bahraini Dinars)

7 TRADE RECEIVABLES

	2020	2019
Gross receivables	1,200,105	655,322
Less: Impairment allowance (expected credit loss)	(56,984)	(1,036)
	1,143,121	654,286

The movement on impairment allowance is as follows:

	2020	2019
At 1 January	1,036	547
Charge for the year	55,948	1,834
Write-off for the year	-	(1,345)
At 31 December	56,984	1,036

8 PROVISION FOR EMPLOYEES' LEAVING INDEMNITIES

The movement in the provision is as follows:

	2020	2019
At 1 January	195,619	134,522
Add: Charge for the year	62,721	61,097
At 31 December	258,340	195,619

Total number of employees at 31 December:

	2020	2019
Bahrainis	155	139
Expatriates	8	5
	163	144

For the year ended 31 December 2020, the Group's contribution for employees under SIO scheme amounted to BD 300,874 (2019: BD 244,829). 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. The Group's contribution to the employees' saving scheme amounted to BD 166,862 (2019: BD 134,184). 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. As at 31 December 2020 these amounted to BD1,329,428 (2019: BD 972,928).

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

(Bahraini Dinars)

9 TRADE PAYABLES AND ACCRUED EXPENSES

	2020	2019
VAT payable	410,743	219,925
Accrual for bonus and reward	396,022	585,173
Trade payables	231,912	239,511
Accrual for directors' remuneration	172,500	164,000
Payables for card processing	165,556	201,153
Other accrued expenses	1,179,227	626,680
	2,555,970	2,036,442

10 SWITCH

	2020	2019
Bahrain ATM	3,236,474	3,419,784
Bahrain POS	1,852,405	2,853,305
GCC ATM	313,264	638,568
GCC POS	219,960	573,479
Telecom bill payment	283,088	377,788
Payment gateway	716,943	335,604
AMEX	32,694	51,403
	6,654,828	8,249,931

11 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	2020	2019
Income from card processing	951,794	753,767
Income from card procurement and fulfilment	487,195	318,546
Income from development and customizations	221,271	123,219
Income from call centre operations	15,665	-
	1,675,925	1,195,532
Revenue by timing of recognition	2020	2019
Goods transferred at a point in time	1,454,654	1,072,310
Services transferred over time	221,271	123,222
	1,675,925	1,195,532



Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

(Bahraini Dinars)

11 CARD SERVICES (continued)

B. Contract balances

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

	2020	2019
Contract liabilities (included in current portion of deferred income)	147,553	111,206

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 2020, revenue includes BD 55,550 (2019: BD 7,898) included in the contract liabilities balance at the beginning of the period.

12 RIGHT-OF-USE- ASSETS

	2020	2019
Balance at beginning of the year	883,920	1,045,933
Depreciation charge for the year	(172,670)	(162,013)
Remeasurement of lease liabilities*	(552,318)	-
	158,932	883,920

*As of 31 December 2020, the Group has reassessed the lease term that was previously included in the initial measurement of the lease liabilities and determined that it is reasonably certain not to exercise the option to extend or renew the lease term and hence adjusted the carrying value of its right-of-use assets by BD 552,318 for remeasurement of lease liabilities.

13 LEASE LIABILITIES

	2020	2019
Maturity analysis – contractual undiscounted cash flow		
Less than one year	138,722	221,580
One to five years	85,140	879,945
Total undiscounted lease liabilities	223,862	1,101,525
Current portion of lease liabilities	129,347	55,251
Non-current portion of lease liabilities	75,611	865,819
Total discounted lease liabilities	204,958	921,070

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

(Bahraini Dinars)

14 COST OF PROVISION OF SERVICES

	2020	2019
License and support	938,278	888,281
Cost of card services	490,525	721,255
Maintenance cost	652,500	379,887
Communication lines	216,858	192,559
GCC NET telecom charges	18,873	18,873
Foreign exchange loss	108,264	12,672
Other processing costs*	*457,579	52,468
	2,882,877	2,265,995

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

*Includes penalties of BD 50,000 (2019: BD Nil) imposed by the CBB on the Group on account of EFTS time-out.

15 OTHER OPERATING EXPENSES

	2020	2019
Public relation and marketing	705,077	621,904
Legal and professional expenses	482,790	437,931
Directors' remuneration	172,500	149,917
Directors' sitting fees	74,400	93,587
Occupancy costs	55,892	49,774
Entertainment	15,953	49,832
Telephone and fax	15,322	13,419
Travel and conferences	14,223	101,636
Other expenses	177,185	138,181
	1,713,342	1,656,181

16 INTEREST INCOME

	2020	2019
Interest on treasury bills	74,973	227,925
Interest on bank deposits	26,573	85,067
Interest on current accounts	6,879	6,731
	108,425	319,723



Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

(Bahraini Dinars)

17 OTHER INCOME

Other income includes Government grant received during the year. The Group recognised the Government grant that was received in the form of reimbursement of salaries for all Bahraini employees working in the Company and are registered / insured within Social Insurance Organization for the three months from April to June 2020. Total reimbursement received amounted to BD 627,764. (refer to note 2(d)).

18 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:

	2020	2019
Salaries and short term employee benefits	1,097,585	902,908
Long term employee benefits	122,641	109,085
Directors' remuneration	172,500	149,917
Directors' sitting fees	74,400	93,587
Provision for employees' leaving indemnities	215,078	160,595

b) Transactions and balances with and from related parties

	Shareholders	2020	Total
Bank balances	4,746,882 (i)		4,746,882
Deposits with banks	- (i)		-
Trade receivables	602,633(i)(ii)		602,633
Other assets	110,095(i)		110,095
Lease liability	100,264 (iv)		100,264
Deferred income	48,796 (iii)		48,796

	Shareholders	2020	Total
Interest income	108,357 (i)		108,357
Card service income	460,173(ii)		460,173
Bank charges	8,151 (i)		8,151
Occupancy costs	33,540(iv)		33,540

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

(Bahraini Dinars)

18 RELATED PARTY TRANSACTIONS (continued)

c) Balances with and from related parties

	2019	
	Shareholders	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 (iii)	4,763

	2019	
	Shareholders	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

(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 2020 where the chairman, directors or managers had a direct or indirect interest in the contracts or transactions which have been approved by the Board.

19 CAPITAL COMMITMENTS AND CONTINGENCIES

Capital commitments and contingencies as on 31 December 2020 by the Group are BD 2,055,099 (2019: BD 972,405).

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

(Bahraini Dinars)

20 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:

	2020	2019
Cash dividends	311,040	1,555,200
Charity reserve	-	205,927
General reserve	6,558	411,854

The Board has recommended the distribution of cash dividends of BD 311,040 (2019: BD 1,555,200) from the retained earnings. Further, the Board has also recommended BD 142,500 as the directors' remuneration for the year 2020 (2019: 163,993).

21 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 Entity	Place of business	Proportion of ownership and voting power 2020 Group (2020)	Proportion of ownership and voting power 2019 Group (2019)	Principal activities
Sinnad W.L.L	Bahrain	100%	100%	Debit and credit cards hosting and cards personalisation services

22 FINANCIAL RISK MANAGEMENT

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Financial instruments consist of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, deposits with banks, balance with the Central Bank of Bahrain, balances with other central banks, treasury bills, 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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

(Bahraini Dinars)

22 RELATED PARTY TRANSACTIONS (continued)

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's 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 (refer note 2 (d) for the possible effects of COVID-19).

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 considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the trade receivables is more than 90 days past due from the due date.

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:

	2020	2019
Bank balance	4,746,882	5,393,482
Deposits with banks	-	2,460,043
Treasury bills	-	4,881,827
Balance with Central Bank of Bahrain	6,450,667	4,789,052
Balance with other central banks	3,173,071	3,057,372
Trade receivables	1,200,105	655,322

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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

(Bahraini Dinars)

22 RELATED PARTY TRANSACTIONS (continued)

Ageing of trade receivables:

	2020	2019
0 - 30 days	455,748	237,512
31 - 90 days	466,385	86,430
91 – 180 days	159,886	240,877
181 – 365 days	76,944	89,876
More than 365 days	41,142	627
Gross receivables	1,200,105	655,322
Impairment allowance	(56,984)	(1,036)
	1,143,121	654,286

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 277,972 (2019: BD 331,380) 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.

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:

2020	Carrying Amount	Contractual cash flows	More than 6 months	6 months or less
Trade payables and accrued expenses	2,555,970	2,555,970	-	2,555,970
Provision for employees' leaving indemnities	258,340	258,340	258,340	-
Lease liabilities	204,958	223,862	138,722	85,140
Payable for acquisition of subsidiary	221,970	221,970	-	221,970
	3,241,238	3,260,142	397,062	2,863,080

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

(Bahraini Dinars)

22 RELATED PARTY TRANSACTIONS (continued)

b) Liquidity risk (continued)

2019	Carrying Amount	Contractual cash flows	More than 6 months	6 months or less
Trade payables and accrued expenses	2,036,442	2,036,442	-	2,036,442
Provision for employees' leaving indemnities	195,619	195,619	195,619	-
Lease liabilities	921,070	1,101,525	879,945	221,580
Payable for acquisition of subsidiary	221,970	221,970	-	221,970
	3,375,101	3,555,556	1,075,564	2,479,992

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.

	2020	2019
Effective interest rate on short-term deposit and treasury bills (BD)	1.84%	2.84%

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

d) Operational risk

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

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

(Bahraini Dinars)

22 RELATED PARTY TRANSACTIONS (continued)

e) 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 7 percent in 2020 (2019: 15 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.

f) 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 (refer note 2 (d) for the possible effects of COVID-19).

At 31 December 2020 and 2019, all the Group's financial assets and financial liabilities have been classified and measured at amortised cost

23 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.

Supplementary Disclosures to the Consolidated Financial Statements

(not audited)

(Bahraini Dinars)

On 11 March 2020, the Coronavirus (COVID-19) outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. This has resulted in a global economic slowdown with uncertainties in the economic environment. This includes disruption to capital markets, deteriorating credit markets and liquidity concerns. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures. The pandemic as well as the resulting measures and policies have had some impact on the Group. The Group is actively monitoring the COVID-19 situation, and in response to this outbreak, has activated its business continuity plan and various other risk management practices to manage the potential business disruption on its operations and financial performance.

Due to the current COVID-19 pandemic, major revenue streams within Group have been impacted due to a decline in the number of transactions. Group revenue streams are heavily transaction driven and are very much affected by the health of the Bahrain economy in terms of trade, purchases, and public spending. Any decline in the national economy has a direct impact on the level of transactions and therefore the revenue recognized. Below is an estimate of the impact of COVID-19 for the year ended 31 December 2020 on the revenue streams which are predominantly transaction based.

Revenue streams	Estimate of impact (BD 000s)
<i>Bahrain POS</i> The reduction of the Local POS fee from 100 fils to 0.2% of the value of transactions was the main contributor to the loss of revenue in Local POS during 2020.	2,148
<i>Bahrain ATM</i> Revenue from Local ATM transactions reduced mainly due to the reduction of the number of transactions. The normal growth in ATM transactions was 10% while due to COVID-19, there was a decline in transactions from prior period by 6%.	401
<i>BCTS</i> The loss in BCTS revenue is due to a decline of 22% in the number of cheques cleared during 2020 compared to the prior period.	97
<i>GCC ATM</i> Travel restrictions within the GCC have reduced the GCC ATM transactions by 61% during 2020 compared to the anticipated growth of 4% per annum pre-COVID-19.	322
<i>GCC POS</i> Travel restrictions within the GCC have reduced the GCC POS transactions by 20% for the year ended 31 December 2020 compared to the anticipated growth of 15% per annum pre-COVID-19.	392
<i>Telecom Bill Payment</i> The loss in Telecom Bill Payment revenue is due to the reduction of interchang e rates provided to Telecom providers.	122
<i>AMEX</i> Amex transactions have reduced by 36% during the year ended 31 December 2020 compared to prior year. The volumes have generally remained static in the prior years.	16
<i>CARD SERVICES</i> Overall transactions have reduced for certain banks during the year ended 31 December 2021 compared to prior year.	11
Total estimate loss in revenue	3,509

The above was offset by a one-off government support in relation to staff costs amounting to BD 627,764.

The Group has assessed the impact of COVID-19 in relation to the impairment of receivables and other assets. There is no material impact on such receivables and other assets of the Group. The Group has strong liquidity position and has not noticed any material reduction in cash inflows. Further the Group has significant cash reserves.

The above supplementary information is provided to comply with the CBB circular number OG/259/2020 (Reporting of Financial Impact of COVID-19), dated 14 July 2020. This information should not be relied upon for any other purposes. Since the situation of COVID-19 is uncertain and is still evolving, the above impact is as of the date of preparation of this information. Circumstances may change which may result in this information to be out-of-date. In addition, this information does not represent a full comprehensive assessment of COVID-19 impact on the Group. This information has not been subject to a formal audit by external auditors.