Report of the Directors

as at 31 December 2010

Bahraini Dinars

Business Review

The BENEFIT Company continued to deliver a good performance in year 2010 despite the difficult economic environment around the region. We continued to focus on our core activities and are pleased to report this improvement to the Shareholders which reflects another good year for the Company.

The consolidated operating profit for the year 2010 increased to BD 1,311,710 as compared to BD 1,282,798 in 2009, an increase of 2%. The consolidated net profit has also increased to BD 1,323,437 in 2010 as compared to BD 1,238,399 in 2009, an increase of 7%.

The Company has started its Bahrain Cheque Truncation System [BCTS] project with all 29 retail banks in Bahrain. The BCTS project is one of the important projects of Bahrain where it will revolutionize the cheque clearing cycle in the country and will enable them to be cleared and settled in the same day.

We have worked closely with Central Bank of Bahrain in 2010 to formalize the Corporate Bureau. The Corporate Bureau project shall be launched in Quarter 2 2011. The service of CRB was apparent and continued positively in Year 2010 with a total of 36 Members subscribing to the system.

We believe the Network and Communication are part of our core infrastructure to provide the banking sector with more secure, flexible and reliable services. A new Network infrastructure was introduced in Q3 of 2010 and we successfully migrated all the Member banks to the new Node.

Consolidated Financial Results

Particulars	**2010 (BD)**	2009 (BD)	Change
Operating profit	**1,311,710**	1,282,798	2%
Profit for the year	**1,323,437**	1,238,399	7%
Net assets	**6,359,012**	5,390,575	18%

Recommended Appropriations and remuneration for 2010

The Board of Directors recommend the following appropriations and remuneration, which are subject to the shareholders' approval at the annual general meeting:

	2010 (BD)
Dividends	**450,000**
Directors Remuneration	**55,000**
Total	**505,000**

Report of the Directors
as at 31 December 2010
Bahraini Dinars

Report to the Directors (continued)

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

	BD
Share Capital	1,800,000
Statutory Reserve	900,000
Retained Earnings	3,124,248
Non-controlling interest	84,764
Total Consolidated Shareholders' Equity	**5,909,012**

Outlook for 2011

We will continue improving the services and products that will assist and add value to the member banks. The Company is committed to provide its stakeholders with solutions that help the member banks operate efficiently and effectively.

The Bahrain Cheque Truncation System (BCTS) service is a strategic service to be launched in 2011. The BENEFIT Company has taken great pride in signing this agreement and is proud of the ongoing trust of Central Bank of Bahrain in The Company's abilities, which supports BENEFIT's vital role in the banking sector. Such a system entails great benefits not only on performance and productivity levels, but also on reducing the time consumed in clearing cycles in the long run. The BCTS will enhance the efficiency and speed of the cash flow between clients and banks which eventually leads to improving the banking performance effectiveness and efficiency.

Another major project which will take place in 2011 is to enhance the BENEFIT Switch infrastructure by upgrading the ATM switch application software, in addition this enhancement will include a Disaster Recovery site. This is to provide a more efficient system to the banking community in Bahrain.

Our aim is to continue sustaining the growth and maintaining the excellent relationship with our Member banks to take the Company forward to achieve our Shareholders' goals.

ABDUL RAZAK ABDULLA HASSAN AL QASSIM
Chairman
14 February 2010

Independent Auditors' Report to the Shareholders

The Benefit Company BSC (c), Kingdom of Bahrain

as at 27 February 2011

Report on the consolidated financial statements

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 2010, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Responsibility of the board of directors for the consolidated financial statements

The board of directors of the Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2010, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other regulatory requirements

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain Law, we report that the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith; the financial information contained in the directors' report is consistent with the consolidated financial statements; we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain Law, or the terms of the Company's memorandum and articles of association having occurred during the year that might have had a material adverse effect on the business of the Company or on its financial position; and satisfactory explanations and information have been provided to us by the management in response to all our requests.

KPMG

27 February 2011
Kingdom of Bahrain

Consolidated Statement of Financial Position

as at 31 December 2010
Bahraini Dinars

	Note	2010	2009
Assets			
Furniture and equipment	3	**260,193**	376,132
System software	4	**246,343**	290,229
Capital Work in progress	4	**316,639**	–
Total non-current assets		**823,175**	666,361
Cash and bank balances		**3,659,927**	3,446,725
Short Term Deposits		**1,312,814**	799,190
Balance with Central Bank of Bahrain		**569,830**	421,500
Balance with other central banks		**343,927**	317,907
Related party receivables	14	**55,851**	87,798
Other receivables		**82,244**	15,300
Prepaid expenses and advances		**48,121**	75,349
CRB receivables	14	**173,970**	111,930
Total current assets		**6,246,684**	5,275,699
Total assets		**7,069,859**	5,942,060
Equity and liabilities			
Share capital	1	**1,800,000**	1,200,000
Statutory reserve		**900,000**	600,000
Retained earnings		**3,574,248**	3,462,066
Non-controlling interest		**84,764**	128,509
Total equity (page 6)		**6,359,012**	5,390,575
Liabilities			
Provision for employees' leaving indemnities	5	**8,265**	27,679
Total non-current liabilities		**8,265**	27,679
Payables and accrued expenses	6	**440,890**	245,971
Related party payable	14	**211,361**	227,506
Deferred income	7	**50,331**	50,329
Total current liabilities		**702,582**	523,806
Total equity and liabilities		**7,069,859**	5,942,060

ABDUL RAZAK ABDULLA HASSAN AL QASSIM
Chairman

REYADH SATER
Vice Chairman

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010
Bahraini Dinars

	Note	2010	2009
Switch income	8	**2,389,942**	2,116,335
Internet banking income		**55,787**	130,492
CRB Income		**838,027**	720,656
Dispute management system		**31,455**	41,521
Revenue from card services	9	**257,147**	381,125
Total operating income		**3,572,358**	3,390,129
Operating costs			
Processing costs	10	**(189,884)**	(167,056)
Personnel costs		**(1,012,127)**	(907,392)
Professional services		**(62,474)**	(78,598)
Other operating expenses	11	**(287,159)**	(198,093)
Credit reference bureau	12	**(419,798)**	(405,384)
Card services operating cost	13	**(94,503)**	(227,506)
Amortisation – software	4	**(80,612)**	(45,588)
Depreciation	3	**(114,091)**	(77,714)
Total operating costs		**(2,260,648)**	(2,107,331)
Operating profit		**1,311,710**	1,282,798
Foreign exchange loss on GCCNET transaction		**(10,303)**	(11,782)
Interest income	15	**22,030**	16,195
Pre-operative expenses of the subsidiary		**–**	(48,812)
Profit for the year		**1,323,437**	1,238,399
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**1,323,437**	1,238,399
Attributable to:			
Equity holders of the parent company		**1,367,182**	1,295,110
Non controlling interest		**(43,745)**	(56,711)
Total comprehensive income for the year		**1,323,437**	1,238,399

ABDUL RAZAK ABDULLA HASSAN AL QASSIM
Chairman

REYADH SATER
Vice Chairman

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010
Bahraini Dinars

2010	**Total equity attributable to shareholders of the parent Company**					
	Issued capital	Statutory reserve	Retained earnings	Total	Non controlling Interest	Total
At 1 January 2010	1,200,000	600,000	3,462,066	5,262,066	128,509	5,390,575
Profit for the year	–	–	1,367,182	1,367,182	(43,745)	1,323,437
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**1,367,182**	**1,367,182**	**(43,745)**	**1,323,437**
Dividend paid (2009)	–	–	(300,000)	(300,000)	–	(300,000)
Directors' remuneration paid (2009)	–	–	(55,000)	(55,000)	–	(55,000)
Issue of bonus shares	600,000	–	(600,000)	–	–	–
Transfer to statutory reserve	–	300,000	(300,000)	–	–	–
At 31 December 2010	**1,800,000**	**900,000**	**3,574,248**	**6,274,248**	**84,764**	**6,359,012**

2009	**Total equity attributable to shareholders of the parent Company**					
	Issued capital	Statutory reserve	Retained earnings	Total	Non controlling Interest	Total
At 1 January 2009	800,000	400,000	3,021,956	4,221,956	–	4,221,956
Profit for the year	–	–	1,295,110	1,295,110	(56,711)	1,238,399
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the year	–	–	1,295,110	1,295,110	(56,711)	1,238,399
Allocation of non-controlling interest on acquisition	–	–	–	–	185,220	185,220
Dividend paid (2008)	–	–	(200,000)	(200,000)	–	(200,000)
Directors' remuneration paid (2008)	–	–	(55,000)	(55,000)	–	(55,000)
Issue of bonus shares	400,000	–	(400,000)	–	–	–
Transfer to statutory reserve	–	200,000	(200,000)	–	–	–
At 31 December 2009	**1,200,000**	**600,000**	**3,462,066**	**5,262,066**	**128,509**	**5,390,575**

Consolidated Statement of Cashflows

for the year ended 31 December 2010
Bahraini Dinars

	2010	2009
Operating Activities		
Cash received from Switch operations	**2,293,019**	2,055,094
Cash received from CRB operations	**775,987**	751,615
Payments for overhead expenses	**(1,838,130)**	(1,655,899)
Payment for director remuneration	**(55,000)**	(55,000)
Payment for pre-operating expenses of subsidiary	**–**	(48,812)
Cash received from internet banking operations	**76,959**	96,000
Cash received from card operations	**203,391**	359,982
Other receipts (net)	**78,000**	92,500
Receipt from Gateway fees	**50,373**	32,628
Cash flows from operating activities	**1,584,599**	1,628,108
Investing Activities		
Capital expenditure on furniture and equipment	**(67,746)**	(112,640)
Capital of subsidiary now consolidated	**–**	378,000
Advance for capital project	**(316,639)**	–
Acquisition of switch system software	**(21,068)**	(186,004)
Cash flows used in investing activities	**(405,453)**	79,356
Financing activities		
Interest received	**22,030**	16,195
Dividend paid	**(300,000)**	(200,000)
Cash flow used in financing activities	**(277,970)**	(183,805)
Net increase in cash and cash equivalents	**901,176**	**1,523,659**
Cash and cash equivalents at beginning of year	**4,985,322**	3,461,663
Cash and cash equivalents at end of the year	**5,886,498**	4,985,322
Cash and bank balances	**3,659,927**	3,446,725
Short Term Deposits	**1,312,814**	799,190
Balance with Central Bank of Bahrain	**569,830**	421,500
Balance with other central banks	**343,927**	317,907
Total	**5,886,498**	4,985,322

Notes

for the year ended 31 December 2010
Bahraini Dinars

1. Status and Operations

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

The Company has been granted with a licence for Ancillary Services from the Central Bank of Bahrain to provide payment systems and other related financial services for the benefit of the commercial banks, their customers, in the Kingdom of Bahrain. The Credit Reference Bureau (CRB) operations commenced in Bahrain in August 2005.

The authorised share capital of the Company was increased from BD 1,200,000 to BD 5,400,000 effective 18 August 2010. The paid up share capital of the Company is BD 1,800,000 consisting of 18,000 shares of BD 100 each.

Subsidiary

The Company paid an amount of BD 192,780 in December 2009 towards 51% shareholding in 'SINNAD WLL' ("Subsidiary"), while Network International ("NI") holds the remaining 49% shareholding. The Subsidiary has been incorporated to carry out ATMs/Credit Cards and Payment Services. The consolidated financial statements comprise the financial statements of the Company and it's subsidiary (together referred to as the "Group").

2. Significant Accounting Policies

a) Statement of compliance

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

b) Basis of preparation

The consolidated financial statements are prepared on the historical cost basis. The accounting policies have been consistently applied by the Group and are consistent with those applied in the previous year, except as described in note 2c below.

The Group classifies its expenses using the nature of expense method. Credit Reference Bureau ("CRB") and card expenses pertain to expenses incurred, which are directly related to the CRB department and card operations.

c) New Standards, amendments and interpretations effective on or after 1 January 2010

The following standards, amendments and interpretations, which became effective in 2010 are relevant to the Group.

IAS 27 Consolidated and Separate Financial Statements (amended 2008)

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively from 1 January 2010 to transactions with non-controlling interests and for transactions resulting in loss of control. The change in accounting policy was applied prospectively and had no material impact on the financial statements.

2. Significant Accounting Policies (continued)

Improvements to IFRSs (2009)
Improvements to IFRS issued in April 2009 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2010 with earlier adoption permitted. There were no material changes to the current accounting policies of the Company as a result of these amendments.

d) Basis of consolidation

Subsidiary:
Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

Transactions eliminated on consolidation:
The carrying value of the Company's investment in the subsidiary and the equity of the subsidiary are eliminated on consolidation. All significant intra-group balances and transactions, and any unrealised gains arising from intra-group transactions with subsidiaries are eliminated in preparing the consolidated financial statements.

e) Income from Switch,
Credit Reference Bureau operations and card services are recognised when the related services are provided. Interest and other income are recognized when earned.

f) Furniture, equipment and software

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

(ii) 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 the income statement as an expense as incurred.

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

2. Significant Accounting Policies (continued)

(iii) Depreciation
Depreciation is applied on a straight line basis over the useful life of assets estimated by the Management. Depreciation for assets purchased / sold during a period is proportionately charged. Intangible assets are amortized over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Group for its use. The Management estimates the useful lives for the various fixed assets as follows:

System hardware	1 – 6 years
System software	3 – 6 years
Computer equipments	2 – 5 years
Furniture, fixtures and office equipments	3 – 5 years
Vehicles	3 – 5 years

All depreciation is charged to the Income statement.

g) 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 when acquired.

h) Receivables
Receivables are recorded at cost, being the fair value of services rendered and facilities provided; less provision for impairment.

i) Trade and other payables
Trade and other payables are stated at their amortised cost.

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

k) 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.

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

2. Significant Accounting Policies (continued)

m) Employees' Benefits

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

Expatriate employees are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector of 1976, 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.

n) Interest income

Interest income on short term deposit is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

o) 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 the income statement.

(p) Critical accounting estimates and judgments in applying accounting policies

The Group makes estimates and assumptions that affect the reported amount of assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment of receivables

The Group reviews the carrying amounts of the receivables at each reporting date to determine whether the receivables have been impaired. The Group identifies the receivables, which have been impaired based on the age of the receivables, the receivables recoverable amount is estimated based on past experience and estimated cash flows.

(q) Statutory reserve

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

Notes

for the year ended 31 December 2010
Bahraini Dinars

3. Furniture and Equipment

	System hardware	Computers	Furniture, Fixtures, Office Equipment & Vehicle	2010 Total	2009 Total
Cost					
At 1 January	530,875	125,877	88,757	745,509	420,666
Additions	21,068	3,336	2,107	26,511	324,843
At 31 December	**551,943**	**129,213**	**90,864**	**772,020**	*745,509*
Depreciation					
At 1 January	224,440	110,011	34,926	369,377	257,836
Charge for the year – CRB	26,777	950	632	28,359	33,827
Charge for the year – others	89,151	7,370	17,570	114,091	77,714
Reversal on disposal	–	–	–	–	–
At 31 December	**340,368**	**118,331**	**53,128**	**511,827**	369,377
Carrying value at 31 December	**211,575**	**10,882**	**37,736**	**260,193**	376,132

4 System Software

	2010	2009
At 1 January	**290,229**	128,535
Additions	**62,709**	240,880
Amortised during the year - CRB	**(25,983)**	(33,598)
Amortised during the year – others	**(80,612)**	(45,588)
At 31 December	**246,343**	290,229

During the current year, the company has commenced development of a new project “Electronic image based cheque clearing system’, for which an amount of BD 316,639 has been incurred till date and recognised as work in progress.

5 Provision for Employees' leaving Indemnities

The movement in the provision is as follows:

	2010	2009
At 1 January	27,679	19,295
Add: charge to income statement during the year		
Less: Paid during the year	6,776	8,384
	(26,190)	–
At 31 December	8,265	27,679

Total number of employees at 31st December

	2010	2009
Bahrainis	43	45
Expatriates	2	3
	45	48

6 Payables and Accrued Expenses

	2010	2009
Trade payables	164,400	72,344
Accrued expenses	276,490	173,627
	440,890	245,971

7 Defeered Income

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

8 Switch Income

	2010	2009
Bahrain ATM	1,167,015	1,059,512
GCC ATM	336,215	387,721
Telecom bill payment	58,821	28,123
Direct debit	13,516	11,081
Bahrain POS	660,670	491,951
Payment gateway	50,373	32,628
AMEX	25,332	27,319
Membership fee	78,000	78,000
	2,389,942	2,116,335

9 Revenue from Card Services

	2010	2009
Debit and credit card hosting	97,664	164,297
Card personalisation	21,689	178,405
Maintenance charges	137,794	38,423
	257,147	381,125

Notes

for the year ended 31 December 2010
Bahraini Dinars

10 Processing Costs

	2010	2009
License fees	**61,400**	64,410
System support and maintenance	**75,677**	48,984
Communication lines	**35,726**	28,233
GCC NET telecom charges	**17,081**	25,429
	189,884	167,056

11 Other Operating Expenses

	2010	2009
Rent	**79,524**	74,043
Travelling	**23,659**	30,653
Office maintenance	**14,340**	13,853
Telephone and fax	**8,978**	11,276
Directors' sitting fees	**4,500**	13,050
Directors' remuneration	**55,000**	-
Vehicle expenses	**4,013**	4,355
Office expenses	**2,979**	4,230
Other expenses	**94,166**	46,633
	287,159	198,093

Effective 2010, Directors' remuneration is recognised in the income statement; and not in the statement of equity as previous year. Director's remuneration is subject to Shareholders' approval in their Annual General Meeting.

12 Credit Reference Bureau (CRB) Costs

	2010	2009
Staff cost	**142,106**	152,367
Performance bonus	**18,718**	11,437
Communication cost	**28,381**	23,661
Depreciation/ Amortisation (Note 3, 4)	**53,936**	67,425
Maintenance and support cost	**126,640**	103,435
Office rent and accommodation	**24,960**	25,040
Directors' sitting fees	**1,500**	4,350
Legal fees	**6,432**	–
Stationery and supplies	**2,522**	2,132
Advertising	**638**	–
Travel and accommodation	**5,950**	2,467
Training	**6,893**	5,918
Miscellaneous expenses	**1,122**	7,152
	419,798	405,384

13 Card Services Operating Cost

Card services operating cost includes costs incurred for the services of Network International and other suppliers in relation to the Subsidiary's ATM/Credit card and payment services business.

14 Related party Transactions

(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:

	2010	2009
Salaries and short term employee benefits	**508,278**	427,817
Termination benefits	**32,187**	6,747
Directors remuneration	**55,000**	55,000
Directors fees	**9,000**	15,000

(b) Transactions with shareholders

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 and Credit reference bureau. Out of total receivables (related and third party), due from shareholders as on 31 December 2010 is BD 135,419 (2009: BD 141,385).

Bank balances and fixed deposit are with one of the major shareholders of the Group.

The Subsidiary has entered into contracts with certain shareholders of the Parent company for the provision of services related to debit/credit card personalisation and ATM acquiring services. In accordance with an understanding between NI and the Subsidiary, the Subsidiary has outsourced work related to ongoing projects to NI. In consideration of the services provided by NI, the Subsidiary will pay the agreed costs of providing such services to NI. The amount payable to NI at 31 December 2010 is BD 211,361 (2009: 227,506).

15 Interest Income

	2010	2009
Interest on bank deposits	**22,030**	16,195
	22,030	16,195

16 Appropriations and Board Remunerations

The Board of Directors has recommended the following appropriations and board remunerations:

	2010	2009
Issue of bonus shares	**–**	600,000
Statutory reserve	**–**	300,000
Dividends	**450,000**	300,000
Directors remuneration	**55,000**	55,000

Appropriations for 2009, were approved by the Shareholders in their Annual General Meeting held on 14 February 2010. Effective 2010, Directors' remuneration is recognised in the income statement; and not in the statement of equity as previous year.

17 New Standards, Amendments and Interpretations Issued but not yet Effective

The following standards and interpretations have been issued and are expected to be relevant to the Group but not yet effective for the year ended 31 December 2010.

- **IFRS 9 'Financial Instruments'**

Standard issued November 2009 (IFR9 (2009))

IFRS 9 (2009) "Financial Instruments" is the first standard issued as part of a wider project to replace IAS 39 "Financial instruments: recognition and measurement". IFRS 9 (2009) retains and simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment and hedge accounting continues to apply. The 2009 standard did not address financial liabilities.

Standard issued October 2010 (IFR9 (2010))

IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 "reassessment of Embedded Derivatives"

The Group is yet to assess IFRS9's full imapct. Given the nature of the Group's operations, this standard is not expected to have a pervasive impact on the Group's financial statements.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012.

- **IAS 24(Revised) "related party disclosures"**

It was issued in November 2009 and is mandatory for periods beginning on or after 1 January 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. When the revised standard will be applied, the Group and the parent will need to disclose transactions between its subsidiaries and its associates. The Group is currently putting systems in place to capture the necessary information.

- **Improvements to IFRSs(2010)**

Improvements to IFRS issued in 2010 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Company's/ Group's 2011 annual financial statements with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

Early adoption of standards

The Group did not early adopt new or amended standards in 2010.

18 Capital Commitments

Capital commitments as on 31 December 2010 by the Group are BD 542,623 (2009: BD Nil).

19 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, deposit with bank, balance with the Central Bank of Bahrain, balances with other central banks, CRB receivables, prepaid expenses and other receivables.

Financial liabilities consist of payables and accrued expenses.

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

- credit risk
- liquidity risk
- market risk

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

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

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

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk on its cash and bank balances, balance with the Central Bank of Bahrain, balance with other central banks, prepaid expenses and other receivables and CRB receivables.

The Group seeks to limit its credit risk with respect to customers by means of the following policies:
- Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures laid down by the Group.
- Cash is placed with banks with good credit ratings.

19 Financial Risk Management (continued)

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure credit risk at the reporting date was:

	2010	2009
Bank balances	**3,659,910**	3,446,555
Short term deposit	**1,312,814**	799,190
Balance with Central Bank of Bahrain	**569,830**	421,500
Balance with other central banks	**343,927**	317,907
Related party receivables	**55,851**	87,798
Other receivables	**82,244**	15,300
CRB receivables	**173,970**	111,930

The Group's credit risk on bank balances is limited since these are maintained with banks having high credit ratings. The Group's credit risk is minimal as all switch fee income is received from financial institutions and other central banks, which are transferred to the Group's account with the Central Bank of Bahrain within a week of rendering the service.

Ageing of receivables:

	2010	2009
0 - 30 days	**91,130**	75,762
31-180 days	**220,935**	139,266
	312,065	215,028

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

The past due receivables as at 31 December 2010 are BD 220,935. However, these are not impaired since these are due from reputed banks and are considered recoverable.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. All the receivables are from banks in the Kingdom of Bahrain.

Liquidity risk
Liquidity risk, also referred to as funding risk, is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The management rigorously monitors the liquidity requirements of the Group and it ensures that sufficient funds are available. The Group has sufficient liquidity and thus does not resort to borrowings in the normal course of business.

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

2010	Carrying Amount	Contractual cash flows	6 months or less	6- 12 months	More than 12 months
Payables and accrued expenses	440,890	440,890	440,890	–	–
Related party payables	211,361	211,361	211,361	–	–
	652,251	652,251	652,251	–	–

19 Financial Risk Management (continued)

2009	Carrying Amount	Contractual cash flows	6 months or less	6- 12 months	More than 12 months
Payables and accrued expenses	245,971	245,971	245,971	–	–
Related party payables	227,506	227,506	227,506	–	–
	473,477	473,477	473,477	–	–

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 and the Toman (Iranian currency). Except for the Kuwaiti Dinar and the Toman, the other GCC currencies are pegged to the US Dollar, hence there is no significant movement in the exchange rates between the GCC currencies. The group is charging a mark-up on GCC switch transaction in order to cover up the currency losses. Such mark-up is classified as operation revenue.

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

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

The Group's short-term deposit is at a fixed interest rate and matures within 1-3 months.

	2010	2009
Effective interest rate on short-term deposit (BHD)	**1.15%**	–
Effective interest rate on short-term deposit (USD)	**0.7%**	1.25%

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

Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as total shareholders' equity. The Group's consolidated return on equity was 21 percent in 2010 (2009: 23 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.

19 Financial Risk Management (continued)

Fair value and classification of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Differences can therefore arise between the book values under the historical cost method and fair value estimates. The fair value of the Group's financial assets and liabilities are not materially different from their carrying amounts.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	31-Dec-10		31-Dec-09	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and bank balances	3,659,927	3,659,927	3,446,725	3,446,725
Short term deposit	1,312,814	1,312,814	799,190	799,190
Balance with Central Bank of Bahrain	569,830	569,830	421,500	421,500
Balance with other central banks	343,927	343,927	317,907	317,907
Related party receivables	55,851	55,851	87,798	87,798
Other receivables	82,244	82,244	15,300	15,300
Prepaid expenses and advances	48,121	48,121	75,349	75,349
CRB receivables	173,970	173,970	111,930	111,930
Payables and accrued expenses	440,890	440,890	245,971	245,971
Related party payables	211,361	211,361	227,506	227,506

At 31 December 2010, all the financial assets have been classified as loans and receivables and the financial liabilities of the Group are classified as financial liabilities measured at amortised cost.

20 Comparative Figures

The corresponding figures for the previous year have been regrouped where necessary, in order to make them comparable with the current year's figures. Such regrouping has not affected the reported net profit, total assets or total equity and liabilities.