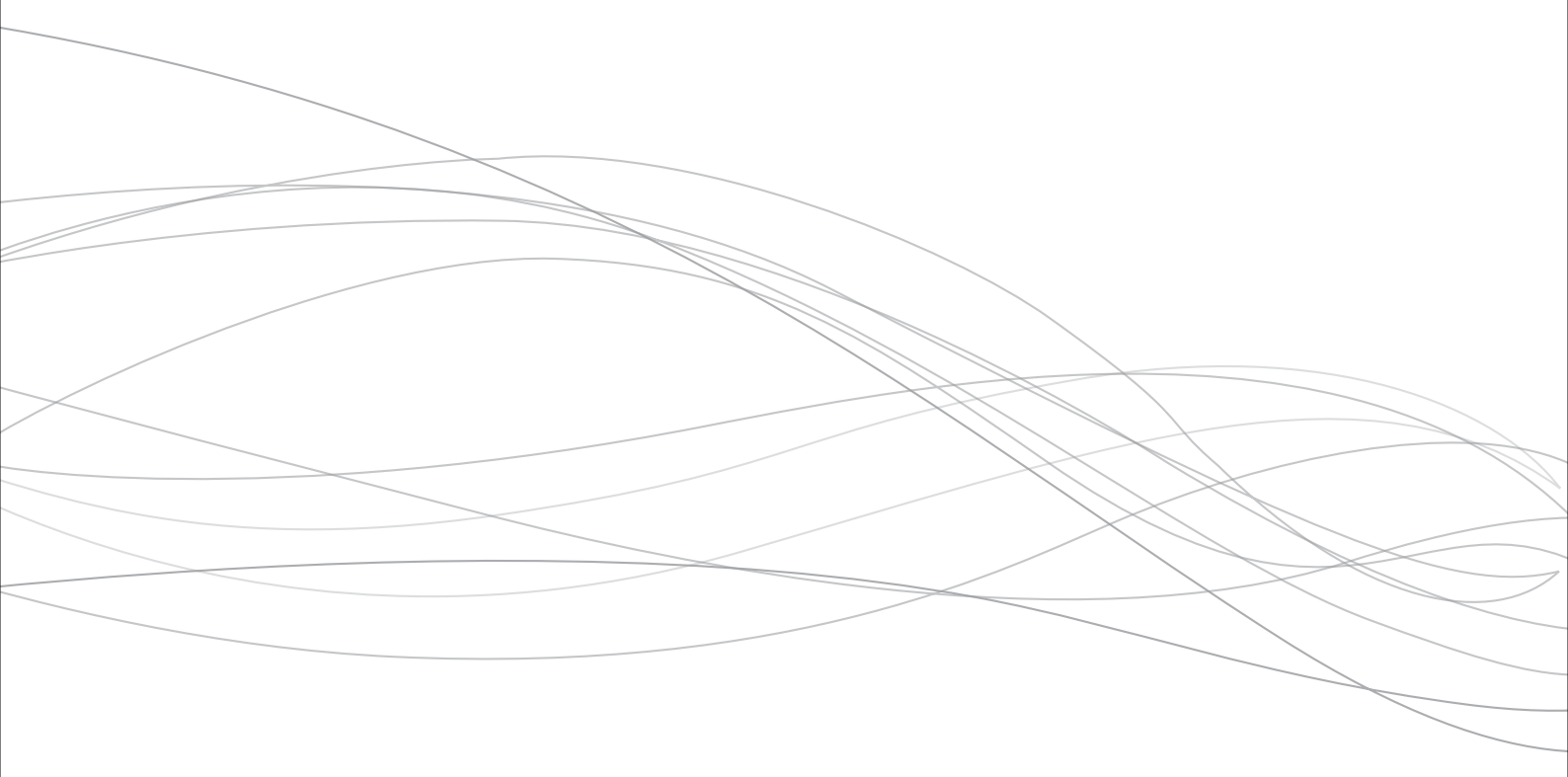




# Annual Report 2007

# become







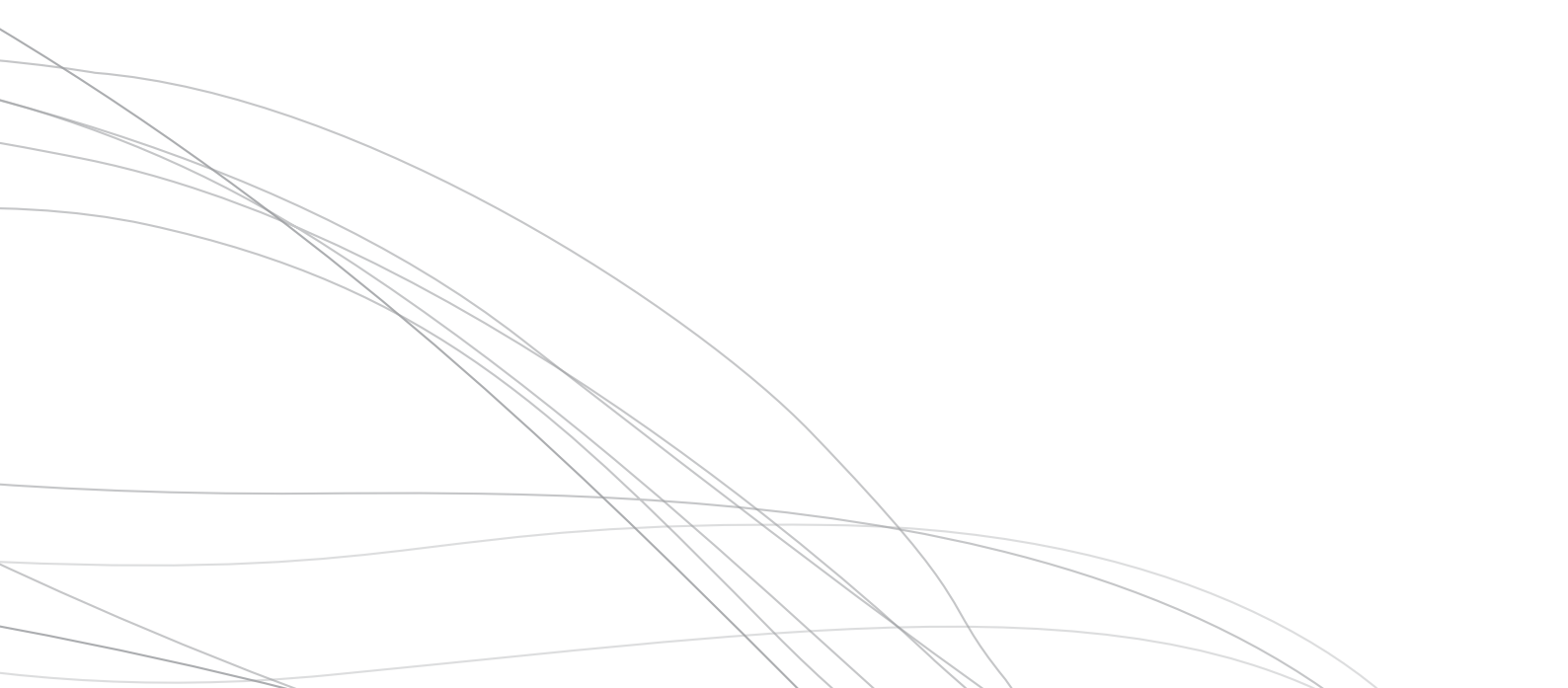
His Highness  
**Shaikh Salman Bin Hamad Al Khalifa**  
The Crown Prince and Deputy  
Supreme Commander



His Majesty  
**King Hamad Bin Isa Al Khalifa**  
Kingdom of Bahrain



His Highness  
**Shaikh Khalifa Bin Salman Al Khalifa**  
The Prime Minister





# become to a promising future

- become to opportunity	2
- become a self-reliant nation	4
- become your nation's opportunity maker	6
- become and discover your potential	8
become and fly high	10
become to more success	12
become is achieving	14
- become to the future	16
- Directors' Report	18
- Independent Auditors' Report	19
- Financial Statements	20



# become to opportunity

'**Become**' is a word that encompasses a dream, a promise and a vision. '**Become**' is making a Bahraini's dream of becoming someone come true. It's the promise that everyone can prosper and grow to **become** independent. It's the vision of seeing the private sector thrive with national talents that reflect the highest professional international standards.

By inviting Bahrainis to '**become**' we are inviting them to take action. To reach for a better career. To aim higher. And to follow their dreams.

Every Bahraini has the potential to **become** a leader in his or her respective field and contribute positively in developing the nation. Every Bahraini has the right to and should have the opportunity to **become**.

# The Board of Directors



**From right to left:**

Dr. Fareed Ahmed Al Mulla, Ahmed Mohamed Al Banna, Adel Mohamed Mattar, Sharif Mohamed Ahmadi (Vice Chairman), H.E. Dr. Nezar Bin Sadiq Al Baharna (Chairman), Dr. Zakaria Ahmed Hejres, Salman Jaffar Almahfood, Mohamed Abdulrahman Mohamed, Elham Abdulla Hassan.



# become a self-reliant nation

The biggest challenge a nation faces is sustaining a healthy, robust economy. The Kingdom of Bahrain has been endeavouring to do so over the past few decades and has made great accomplishments on many levels.

Bahrain is one of the pioneer countries, having taken the bold step of creating a comprehensive Labour Reform plan that promises to train Bahrainis according to market requirements and to build the private sector's capacity to contribute to and expand the national economy.

At the Labour Fund, we see ourselves as the facilitators and catalysts of change. We believe in the potential of every Bahraini, and the power they have to make the Kingdom of Bahrain a self-reliant nation.

Our business is to equip the nation with a local workforce that is reliable, independent, confident and skilful. We have been entrusted with the task of initiating programmes that will develop the human resources and empower the private sector, which we see as the engine for the Kingdom's economic growth.

We have taken a holistic approach to tackle this huge challenge. One of our prime objectives is to train Bahrainis, and to make them the 'employees of choice' in the private sector. At the same time, the reforms are expected to gradually liberalise the market and allow market forces, supply and demand, to take the lead. Next, and equally important, is the need to revitalise the private sector and enable enterprises to improve their productivity and to expand.

The workplace of the future is not just about expanding the workforce but also about improving productivity. We want to build on our people's education and ability to easily pick up new skills through training. We plan to help Bahrainis get access to proper financing for their business in order to upgrade their operations, both backroom and factory floor.

Every action we take is linked to the larger goal of building Bahrain's prosperity, increasing the middle class and securing the future of the people.

Our journey towards prosperity and development depends on our investments in our Bahraini human capital. This is the true path towards prosperity, which is built on partnership. This is why we are "Partners in Prosperity".



**DR. NEZAR BIN SADIQ AL BAHARNA**  
CHAIRMAN



# become your nation's opportunity maker

The Labour Fund was founded in 2006 with the primary objectives of making the Bahraini employee the preferred choice for employers and developing the private sector, making them the fuel that drives the engine of growth in the Kingdom.

Life is full of challenges and what matters is how we meet these challenges and create opportunities from them. The Labour Market Reform Project presented an enormous challenge of transferring how people think and work. Changing the perceptions of the labour market was not seen as a challenge, but rather as a unique opportunity. An opportunity to transform the country into a better place to work and for the nation to prosper.

Winston Churchill once said **"the pessimist sees difficulty in every opportunity. And the optimist sees the opportunity in every difficulty"**.

We at the Labour Fund are optimists. We are optimists because we believe that our nation and our youth are destined to change and succeed. No hurdle is too big for them. Though we are relatively young, we have managed to launch a number of successful programmes that have demonstrated that we are on the right track.

Our ambitions for the Bahraini individuals, enterprises and the Kingdom can best be described by our vision and mission, which outline the pulse of what we are trying to achieve. We will work towards developing talented Bahraini competencies, enabling enterprise growth and improving policies and standards with the objective of ensuring a better and more stable lifestyle. We will achieve this by investing in human capital, supporting growth, developing business activities and collaborating with key policy and decision makers.



I will end with a quote by Albert Einstein **"In the middle of every difficulty lies opportunity"**.

A handwritten signature in black ink, consisting of stylized cursive letters and a long horizontal flourish at the end.

**ABDULELLAH EBRAHIM AL-QASSIMI,**  
ACTING CHIEF EXECUTIVE

Actor Advertising Advocate **Aeronautical Maintenance Engineer** Agricultural Economist Agricultural  
Technician Agriculturist Agronomist Beauty Consultant Emergency Care Worker Animal Scientist Anthropologist **Builder**  
Archaeologist Architect Architectural Technologist **Certified Account Technician** Archivist Area  
Manager Armament Fitter Editor Artist Sampler Assembly Line Worker Assistant Draughtsman Astronomer Attorney Auctioneer  
**Professional Risk Manager** Auditor Automotive Electrician Automotive Trimmer Beautician Banker **Baker**  
Biochemist Biologist Biomedical Engineer Biomedical Technologist Boilermaker Bookbinder Bookkeeper Botanist Branch Manager  
Bricklayer Bus Driver Chartered Management Accountant Business Economist **Chartered Accountant** Cabin  
Attendant Carpenter Cartographer **Cashier** Ceramics Technologist Chartered Secretary Chemical Engineer **Chef** Chemist Chiropractor City  
Treasurer Civil Engineer Civil Investigator Cleaner Clinical Engineer Clinical Technologist Clothing Designer Clothing Manager Coal Technologist  
Cobbler **Clerk** Concrete Technician Conservation Wildlife Specialist **Construction Manager** Copy-Writer  
Correctional Services Worker Costume Designer Computer Technician **PR Consultant** Crane Operator Credit Controller  
Crop Protection Animal Health Officer Customer Excise Officer **Customer Service Agent** Dealer in Oriental Carpets Decor  
Designer **Contract Manager** Dentist Diamond Cutter Diesel Fitter Diesel Loco Driver Diesel Mechanic Die-sinker and Engraver Dietician  
Diver Domestic Automotive Mechanic Appliance Mechanic Domestic **Store Manager** Logistics Representative Visual Merchandiser  
ER Nurse **Cardiac Care Nurse** Community Healthcare Giver Radio and Television Presenter Domestic Worker Earth Moving  
Equipment Mechanic Ecologist Economist Technician ECG Technician Electrical and Electronic Engineer Technician Electrician  
**Electrician** Environmental Health Officer Engineering Technician Entomologist Financial and Investment Manager  
**Electrical Engineer** Estate Agent Extractive Metallurgist Farmer Farm Worker Fashion Buyer Film Producer  
Fire-Fighter Fireman Fitter Turner Operations Manager Florist Food Scientist Technologist Forester Service Gardener Geneticist  
Geographer Geologist Geotechnologist **Foreman** Goldsmith Jeweller Grain Grader **Hairdresser** Graphic Designer  
Gravure machine Minder **Human Resource Manager** Herpetologist Home Economist Homoeopath Horticulturist  
**Hotel Manager** Hospital Porter Hydrologist Ichthyologist Brand Manager QSR assistant Front Office Executive Chef Fine  
Dining Assistant F&B Manager Security Officer **Resort Manager** Real Estate Agent Tour Operator Industrial Engineer  
Industrial Engineer **Sales Assistant** Technician Inspector Instrument Maker Insurer Interior Designer Interpreter  
Inventory Manager Call Centre Agent Sales Executive Jockey Joiner and Woodmachinist Journalist Knitter Labourer Land Surveyor  
**Landscape Architect** Law Learner Official Leather Chemist Leather Worker **Marketing Manager** Lecturer  
Librarian Life-guard Lift Mechanic Light Delivery Van Driver Linesman Locksmith Machine Operator Machine Worker Magistrate Mail Handler  
**Make-up Artist** Agricultural Engineer Agricultural Extension Officer Agricultural Inspector Management Consultant Manager  
Marine Biologist Materials Engineer Mathematician **Medical Nurse** Matron Meat Cutting Technician Mechanical Engineer  
Medical Orthotist Prosthetist Medical Physicist Merchandise Planner Messenger Meteorological Technician Meteorologist Meter-reader  
Microbiologist Miner Mine **Surveyor** Mining Engineer Model Builder Model Motor Conservator Logistics Manager Navigator Nuclear  
Scientist **Nurse** Retail Merchandiser Oceanographer Patent Attorney Personnel Consultant **Painter and Decorator** Pharmacist  
Assistant Pharmacist Physicist Physiologist **Receptionist Kitchen Manager** Operations Optical Dispenser Optical Technician  
Photographer Driver Stacker Travel Agent Researcher Paint Technician Paper Technologist Technologist Industrial **Waiter**

# become and discover your potential

Over the past several years, the Kingdom of Bahrain has witnessed a major boom in its economy. Although development and growth across various sectors and industries created more job opportunities, the Bahraini labour force did not greatly benefit from such job opportunities. It was obvious there was a need to regulate the job market and to integrate a well-trained Bahraini workforce into it.

Nothing describes the Labour Fund's holistic approach to tackling the Kingdom's labour market challenges, more than our strategy. The Labour Fund's strategy focuses on capitalising and developing value added Bahraini talents and skills in rewarding careers, supporting the development and attraction of new and emerging industries and enhancing and leveraging existing industries.

To achieve our strategy, we have developed programmes in two equally significant areas, 'Human Capital Development' and 'Private Sector Support'.

## HUMAN CAPITAL DEVELOPMENT

We have all witnessed the significant growth in a number of sectors. The number of entertainment and shopping arenas have grown and continues to do so, which indicates considerable growth in the retail sector. The number of airlines flying to our airport has doubled, naturally resulting in the growth of aeronautical related job opportunities. The number of hospitals and health centres has multiplied, increasing the need for more healthcare professionals. The number of hotels and restaurants opening year-in-year-out is phenomenal, thus making demand for professionals in the hospitality industry ever more important. And the list goes on.

But is the number of qualified Bahrainis entering these sectors increasing too? If not, what is the reason for it and what can we do about it?

These are questions we asked ourselves, after our research identified what we call Skills Gaps. Skills Gaps are the availability of opportunities in different sectors like aeronautics, healthcare, hospitality, accountancy, finance, retail and IT-networking in which Bahrainis can be trained in order to assume professional positions, of higher added value.

In our efforts to develop skills so Bahrainis can fill the shortage in certain professions of certain sectors (Skills Gaps), we have created Specialised Skills Gaps Training Programmes, Career Progression Programme, Talent Management Programme, and are working closely with the Ministry of Social Development and the Supreme Council for Women to enable and empower individuals with special needs and women to enter the Bahraini labour force with confidence.

## CAREER PROGRESSION PROGRAMME

With an approximate budget of BD13 million, the Career Progression Programme aims at enhancing the productivity and skills of the existing Bahraini workforce. Furthermore, participating in these programmes will immediately result in a minimum BD50 wage increase for existing employees earning between BD200 and BD400.

## TALENT MANAGEMENT

The objective of the Talent Management Programme is to infuse businesses with progressive corporate cultures and enhance their productivity. Targeting existing employees the programme aims at certifying Human Resources Management personnel and enhancing the leadership and management capabilities of participating companies through an HR Certification Programme and a Leadership Development Programme.



# become and fly high

## SPECIALISED TRAINING FOR SKILLS GAPS

Ranging from 6-months to 4-years, the following programmes are designed to develop identified skills in certain sectors so Bahrainis can fill the void in the identified professions. The Skills Gaps Training Programmes are true 'win-win' initiatives for both employee and employer. The employer will find highly skilled Bahrainis to fill the shortage in the sector and the employee will find himself or herself in a rewarding career. We aim at preparing Bahrainis for more professions once a nation-wide in-depth study is concluded and identifies more skills shortages and Skill Gaps in the labour market.

## HEALTHCARE PROGRAMME

The Labour Fund launched the Healthcare Human Resources Development Programme, with an allocated budget of more than BD6 million to train and qualify 686 nurses and allied health technicians by 2010.

## AERONAUTIC MAINTENANCE ENGINEERS PROGRAMME

With a budget exceeding BD1 million, the Aeronautic Maintenance Engineers Programme aims at making 62 Bahraini nationals "European Aviation Safety Agency" (EASA) certified aeronautic maintenance engineers.

## HOSPITALITY PROGRAMME

A budget in excess of BD4 million has been dedicated to the training of more than 1,800 Bahrainis in various sectors of the hospitality industry that include various entry level and middle level positions as well as a BSC in Hospitality Management and a professional qualification in Human Resources Management.

## IT-NETWORKING PROGRAMME

Our research clearly showed a growing need for certified computer network professionals in the IT sector which brought about the programme to qualify 100 CISCO computer network professionals.

## ACCOUNTANCY & FINANCE PROGRAMME

At an estimated cost of BD2 million, the Accountancy and Finance Programme will give 700 Bahrainis the opportunity to embark on prosperous careers as highly skilled professionals in the accounting and finance sectors by attaining the following certifications:

- Certified Accounting Technician (CAT)
- Association of Certified Chartered Accountants (ACCA)
- Certified Management Accountant (CMA)
- Professional Risk Manager (PRM)

## RETAIL PROGRAMME

With a training budget of approximately BD1 million the Retail Programme aims at qualifying 650 Bahrainis for various entry, supervisory and management positions in the retail sector in Bahrain.

## SPECIAL NEEDS & WOMEN EMPOWERMENT PROGRAMMES

We are working closely with the Ministry of Social Development and other entities to create community centric initiatives that include contribution towards:

- The Disabled Training & Placement Office
- The Productive Families Design & Creativity Centre

While the Human Capital Development initiatives empower Bahrainis with the required skills and talents, another integral aspect of the Labour Fund's strategy is contributing to the development and growth of the national economy through the Private Sector Support programmes.

## PRIVATE SECTOR SUPPORT

In the last few years the market has matured due to increasing investments in the Private Sector, the record-breaking oil prices and the evermore brand-centric consumer.

Aquarium Supplies Architectural Consultancy **Agricultural Traders** Specialized Health Services General Contractors Industrial Electrical Auto Parts Beverages Boat Building Boiler Repairing Business Equipment Cleaning Products Confectioners Dairy Products Electronic Equipment **Education & Training Services** Farm Products Home Furnishing House wares & Accessories Meat Products Office Supplies Packaging & Containers Paper & Paper Products Personal Products **Construction** Broadcasting Cement Photographic Equipment & Supplies **Hotels** Processed & Packaged Goods Recreational Goods Rubber & Plastics Sporting Goods Apparel Clothing Toys & Games Accident & Health Insurance **Catering** General Entertainment Basic Materials Wholesale Department Stores Gaming Activities Electronics Stores Apparel Stores Grocery Stores Diversified Machinery Farm & Construction **Health Care** Machinery General Building Materials Machine Tools & Accessories Food Wholesale Business Services Consumer Services Auto Dealerships Computers Wholesale **Long-Term Care Facilities** Jewelry Stores Textile Industrial Metal Fabrication Medical Practitioners Specialized Health Services General Contractors Industrial Electrical Equipment Industrial Equipment & Components Small Tools & Accessories Waste Management Advertising Agencies **Restaurants** Auto Parts Stores Building Materials Wholesale Pharmacies Research Services Publishing Electronics Wholesale Discount, Variety Stores **Beauty** Personal Services Home Furnishing Stores Movie Production Home Improvement Stores Industrial Equipment Wholesale Management Services Marketing Services Medical Equipment Music & Video Stores Rental & Leasing Services Security & Protection Services Technical Services Sporting Goods Management Services Marketing Services Medical Stores Toy & Hobby Stores Car Rentals **Education & Training Services** Bakery Tour Operator Travel Agency **Hospitality** Event Management Plumbing Carpentry Dental Clinic Florist Car Repair Shops **Tourism** Interior Design Poultry Farms Handicraft Centre Carpet & Rug Cleaners Appliances Improvement Stores Industrial Equipment Wholesale Management Services Marketing Services Medical Equipment Music & Video Stores **Media Consultancy Accountants** Home Rental & Leasing Services Security & Protection Services Technical Service General Contractors Industrial Electrical Equipment Consumer Services Auto Dealerships Machine Tools & Accessories Food Wholesale Business Services Consumer Services Auto Dealerships Computers Wholesale **Long-Term Care Facilities** Jewelry Stores Textile Industrial Metal Fabrication Medical Practitioners Specialized Health Services General Contractors Industrial Electrical Equipment Industrial Equipment & Components Management Services Marketing Services Medical Equipment Music & Video Stores **Movie Theatres** Small Tools & Accessories Waste Management Advertising Agencies Auto Parts Stores Building Materials Wholesale Pharmacies Research Services Publishing Electronics Wholesale Discount, Variety Stores Personal Services Home Furnishing Stores Movie Production Home Improvement Stores Industrial Equipment Wholesale Management Services Marketing Services Medical Equipment Music & Video Stores **Restaurants** Rental & Leasing Services Security & Protection Services Technical Services Sporting Goods Industrial Equipment Wholesale Stores Toy & Hobby Stores **Accountants** Boat Building Boiler Repairing Business Equipment Cleaning Products Confectioners Dairy Products Electronic Equipment Farm Products Home Furnishing House wares & Accessories Meat Products Office Supplies **Beauty** **Education & Training Services** Personal Services Home Furnishing Stores Movie Production



# become to more success

The general public has become more liberal and the typical entertainment activities include eating out, shopping and leisure activities. It is evident that the Bahraini entrepreneur saw an opportunity in this evolutionary transformation of the market, as this is reflected in the growing number of small and medium enterprises (SMEs) in the market. SMEs are also expected to play a more dominant role towards economic growth.

The Labour Fund has put together a specially formulated strategy that goes beyond training Bahrainis, with well-defined objectives in its efforts to support SMEs to achieve higher productivity levels.

Through the Private Sector Support initiatives the Labour Fund will guarantee SMEs' aptitude to attract and hire well-trained local talent pool, sophisticated financial management systems, technological developments and access to finance.

Private Sector Support programmes present opportunities for talented Bahrainis to expand their businesses and benefit from the financial, managerial and technical support offered by the various Labour Fund schemes.

## FINANCE SCHEME

The Finance Scheme has a portfolio of BD12.5 million targeting around 300 SMEs with attractive finance offers at a profit margin rate of 4% (APR) on a reducing balance basis with a tenure of up to 10 years, including a grace period of up to 6 months.

It is designed to provide guaranteed financing and support the development and growth of SMEs. Up to March 2008, the Finance Scheme has managed to attract more than 50 SMEs in the construction, manufacturing, services and trading sectors with total loans granted exceeding BD2.3 million.

## VENTURE CAPITAL FUND

The Venture Capital Fund proposes to invest in carefully screened SMEs, which potentially have healthy turnovers and growth opportunities that could lead to new business start-ups as a result of growth or in an existing business expansion. In February 2008, the Labour Fund signed a "Head of Agreement" with Venture Capital Bank, who will act as the fund manager of the Venture Capital Fund. The total fund size is US\$15 million with the Labour Fund investing 20% of the total fund size.

## ENTERPRISE DEVELOPMENT SUPPORT (EDS)

One of the most notable of our achievements was the initiation of the Enterprise Development Support programme with its four sub-programmes - Business Information Scheme (BIS), Business Development Scheme (BDS), Technical Assistance Programme (TAP) and Growth Assistance Programme (GAP) which are already benefiting SMEs in a noticeable way.

The EDS programme is a co-financing scheme with an allocated budget of BD 5 million targeting 1,250 small and medium sized enterprises (SMEs). The EDS programme will help SMEs enhance their business productivity and competitiveness to strengthen their presence in the market. The programme has been designed to raise SMEs standards of corporate performance and support employment and wage opportunity improvements.

### 1- BUSINESS INFORMATION SCHEME (BIS)

BIS is designed to allow SMEs to establish audited accounting processes and systems that result in transparent business information systems.

### 2- BUSINESS DEVELOPMENT SCHEME (BDS)

BDS is designed to provide SMEs with business review solutions through unique consultation services.



# become is achieving

### 3- TECHNICAL ASSISTANCE PROGRAMME (TAP)

TAP is designed to support businesses make the transition from their reliance on unskilled and low-cost labour to the utilisation of machinery and technology that warrant productivity improvements and generate higher value-added job opportunities.

### 4- GROWTH ASSISTANCE PROGRAMME (GAP)

GAP is currently being designed to enhance SMEs sustainability and ability to extend its products and services beyond Bahrain through product development, marketing development and export development.

To ensure SMEs benefit and grow, financial support is offered with the Labour Fund contributing between 50 – 70% of the associated costs, up to a maximum of BD 10,000 for small enterprises and up to BD 15,000 for medium enterprises.

Up until March 2008, 335 SMEs have already benefited from these programmes:

#### Number of beneficiaries by Programme

Programme	Number of beneficiaries
Business Information Scheme	203
Business Development Scheme	81
Technical Assistance Programme	51
<b>Total</b>	<b>335</b>

#### Number of beneficiaries by Sector

Sector	Number of beneficiaries
Manufacturing	54
Construction	106
Services	175
<b>Total</b>	<b>335</b>

An EDS Agency was appointed in the last quarter of 2007 to manage the day-to-day operations of the EDS Programme and is currently working in collaboration with the Labour Fund to develop new schemes such as the Quality Management Scheme (QMS). This scheme will enable SMEs establish a quality management system like ISO which will help them maintain international standards in quality and concepts. They can then utilise the certification as a marketing tool and also establish methods to determine improvements in specific areas of the business.



# become to the future

In 2008 we will be busy expanding and improving the 'Human Capital Development' and 'Private Sector Support' initiatives. Over the next two years, the Labour Fund will introduce several new programmes and schemes, targeting specific sectors and fields. These planned initiatives will tackle corporate performance, employment standards, attracting investments and diversifying businesses.

Labour Fund also welcomes proposals from the public at large for initiatives to resolve specific areas of concern. Some of the projects in the pipeline that were reviewed based on their cost effectiveness, reward implications, overall impact on stakeholders and relevance to the Labour Fund's strategic objectives are:

## SUPREME COUNCIL FOR WOMEN

The Labour Fund is collaborating with the Supreme Council for Women to extend financing, training and employment support services for two specific local community enablement programmes that will benefit unemployed females.

## GULF AIR WORLDWIDE CALL CENTRE PROGRAMME

We started our first employer-driven recruitment and training programme to support Gulf Air relocate its Worldwide Call Centre from Oman to Bahrain. This project will guarantee 200 Bahrainis training and a career with our national carrier Gulf Air.

## CORPORATE PERFORMANCE EXCELLENCE

The objectives of this programme is to enhance corporate competitiveness, work environments and corporate cultures across the nation, through performance assessment of organisations, providing high-end leadership training, offering solutions to organisations bottlenecks and offering quality awards and certifications.

## E-MARKETPLACE

This initiative aims at co-investing in an e-business exchange that enables expanding the market's accessibility to both, buyers and suppliers, and enables the emergence of SMEs as a result.

## SPECIALISED TRAINING FOR SKILLS GAPS

This continuous stream of initiatives aims at making Bahrainis skilled in targeted value-added professions. The 'Specialised Training for Skills Gaps' initiatives will provide the required skills to the Bahrainis and provide the private sector with the talented human resource required.

## WORK ATTITUDE DEVELOPMENT SCHEME

This endeavour proposes to develop more effective workplace environments. The Work Attitude Development Scheme will spread awareness about work ethics amongst school and university students and private sector companies, thus creating desirable entry-level recruits and better working environments respectively.

## NATIONAL OCCUPATIONAL STANDARDS ADVOCACY

This project aims at working with relevant bodies to promote the creation of national occupational standards aiming at decreasing the discrepancies in the basic skill sets of similar occupations in different sectors, thus enhancing productivity and quality.

## RESEARCH PROJECTS

We will continue our research and study efforts, from which findings can be used to further develop the Labour Fund's operations and strategies.

## SKILLS GAPS RESEARCH

The Labour Fund is currently in the process of conducting a comprehensive nation-wide research exercise to evaluate skills deficiencies and analyse the sources and impacts of these deficiencies.

The study will uncover current, emerging and possible skill deficiencies and gaps which will identify requirements in Bahrain's labour market. Covering most sectors and economic activities, the findings of this research initiative will become the basis for formulating industry and occupational outlooks, career guidance programmes and awareness activities. The findings can also serve as the foundation for the specific councils for vocational training to create skills standards across all industries and occupations.

## SME RESEARCH

A nation-wide study will be conducted to comprehend SME labour and economic conditions in Bahrain.

## PRODUCTIVITY MEASURE/ INDEX

We plan to work on identifying a productivity index for Bahrain for companies of different sizes and sectors, which will enable them to measure their productivity levels in a standardised manner and benchmark with industry norms. We will also conduct a study on wage growth and sustainability and employment placement programmes to ensure fair and promising opportunities to Bahrainis. Our other private sector support targeted research include studies on issues relevant to growth of Bahrain's private sector such as manufacturing products, exports, mergers and acquisitions, free trade agreements, business excellence models and potential finance schemes.

### Summary of Labour Fund programmes launched as part of the 2007-2010 strategy

PROGRAMMES	TARGETTED TOTAL BENEFICIARIES	PROJECTED ENROLLMENT BY END OF 2008	PROJECT COST (BD)
<b>HUMAN CAPITAL DEVELOPMENT</b>	<b>11,169</b>	<b>4,551</b>	<b>29,606</b>
<b>Specialised Training for Skills Gaps</b>	<b>4,068</b>		<b>16,220</b>
Aeronautics Maintenance Engineers	62	62	1,084
Health Care Programme	686	564	6,785
Hospitality	1,870	790	4,151
Accountancy & Finance	700	485	2,500
Retail Programme	650	400	1,300
IT Networking Programme	100	100	400
<b>Talent Management Programme</b>	<b>400</b>	<b>200</b>	<b>595</b>
Leadership Development	200	100	195
Human Resources Certification Programme	200	100	400
<b>Career Progression for Mid-income earners</b>	<b>6,500</b>	<b>1,500</b>	<b>12,610</b>
<b>HCD Employment &amp; Received Initiatives</b>	<b>1005 *</b>	<b>450</b>	<b>181</b>
Gulf Air WWCC Programme	200	150	77
The Disabled Training & Placement Office**			74
Productive Families Design & creativity Centre**			30
<b>PRIVATE SECTOR SUPPORT</b>	<b>1,565</b>		<b>23,155</b>
<b>Enterprise Development Support</b>	<b>1,250</b>		<b>5,000</b>
<b>SMEs Financing Scheme</b>	<b>300</b>		<b>12,500 ***</b>
<b>Venture Capital Fund</b>	<b>15</b>		<b>5,655 ***</b>
<b>TOTAL</b>			<b>52,761</b>

\* Current and projected

\*\* Ministry of Social Development project covers office set-up costs

\*\*\* LF's Financial contribution and guarantee act as an enabler for partners to provide financing facilities



# **FINANCIAL REPORT**

# Directors' Report

The Directors present their annual report and financial statements for the year ended December 31, 2007.

## PRINCIPAL ACTIVITY

The Labour Fund aims at increasing the efficiency and productivity of Bahraini labour, strengthening the national economy, developing the private sector and creating new suitable jobs opportunities for Bahrainis in the Kingdom of Bahrain.

## REVIEW OF BUSINESS

The results for the year are set out on page 21 of these financial statements.

## CHANGES IN DIRECTORS

Mr. Ali Abdul Rahim Salman resigned from the board on May 20, 2007 and Mr. Salman Jaffar Almahfood was appointed as a director in his place.

## AUDITOR

A resolution proposing the reappointment of Deloitte & Touche as the auditor of the Fund for the year ending December 31, 2008 will be put to the Meeting of the Board.

On behalf of the Board



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**Dr. Nezar Bin Sadiq Al Baharna**

Chairman

February 5, 2008



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**Sharif Mohamed Ahmadi**

Vice-Chairman



# Independent Auditor's Report to the Board of Directors

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Labour Fund, ("the Fund") which comprise the statement of financial position as at December 31, 2007, and the statement of activities, statement of changes in accumulated funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly in all material respects, the financial position of the Labour Fund as at December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial information provided in the Board of Directors' Report is in agreement with the financial statements and, based on the information and explanations given to us, we are not aware of any violations of the Law number 57 issued in August 12, 2006 to establish the Fund, having occurred during the year ended December 31, 2007 that might have had a material effect on the activities of the Fund or on its financial position.

# Statement of Financial Position

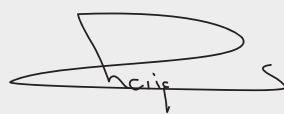
As at December 31, 2007

	Notes	2007 BD
<b>ASSETS</b>		
Non-current assets		
Furniture and equipment	5	62,401
Current assets		
Accounts receivable and prepayments	6	5,817,179
Cash and cash equivalents	7	9,474,008
Total current assets		<u>15,291,187</u>
Total assets		<u><u>15,353,588</u></u>
<b>ACCUMULATED FUNDS AND LIABILITIES</b>		
Accumulated funds		
General reserve	8	1,397,814
Accumulated surplus		<u>12,580,324</u>
Total accumulated funds		13,978,138
Current liabilities		
Accounts payable and accruals	9	1,250,097
Provision for employee benefits	10	<u>125,353</u>
Total current liabilities		<u>1,375,450</u>
Total accumulated funds and liabilities		<u><u>15,353,588</u></u>

These financial statements were approved by the Directors on February 5, 2008 and signed on their behalf by



**Dr. Nezar Bin Sadiq Al Baharna**  
Chairman



**Sharif Mohamed Ahmadi**  
Vice-Chairman



**Abdullellah Ebrahim Al Qassimi**  
Acting Chief Executive

*The accompanying notes 1 to 20 form an integral part of these financial statements.*

# Statement of Activities

## For the Year Ended December 31, 2007

	Notes	2007 BD
<b>Income</b>		
Contribution from the Government	11	4,231,418
Fees income	12	19,148,842
Other income	13	358,700
Total income		<u>23,738,960</u>
<b>Expenses</b>		
Project expenses	14	2,564,894
Unemployment insurance subscriptions	15	5,595,671
Employee salaries and benefits	16	1,228,657
General and administrative expenses		211,429
Advertising and marketing expenses		60,524
Training expenses		71,702
Depreciation expense	5	27,945
Total expenses		<u>9,760,822</u>
Excess of income over expenditures for the year transferred to accumulated surplus		<u><u>13,978,138</u></u>

*The accompanying notes 1 to 20 form an integral part of these financial statements.*

# Statement of Changes in Accumulated Funds

## For the Year Ended December 31, 2007

	General Reserve	Accumulated Surplus	Total
	BD	BD	BD
Balance as at January 1, 2007	-	-	-
Excess of income over expenditures for the year	-	13,978,138	13,978,138
Transfers to general reserve	1,397,814	( 1,397,814)	-
Balance as at December 31, 2007	1,397,814	12,580,324	13,978,138

*The accompanying notes 1 to 20 form an integral part of these financial statements.*

# Cash Flow Statement

## For the Year Ended December 31, 2007

	2007
	BD
<b>Cash flows from operating activities</b>	
Excess of income over expenditures for the year	13,978,138
Adjustments for	
Depreciation expenses	27,945
Loss on disposal of furniture and equipment	692
Grant of furniture and equipment	(73,032)
Provision for employee benefits	125,353
	<u>14,059,096</u>
Increase in accounts receivable and prepayments	(5,817,179)
Increase in accounts payable and accruals	1,250,097
Net cash from operating activities	<u>9,492,014</u>
<b>Cash flows from investing activities</b>	
Purchase of furniture and equipment	(19,142)
Proceeds from disposal of furniture and equipment	1,136
Net cash used in investing activities	<u>(18,006)</u>
Net increase in cash and cash equivalents	9,474,008
Cash and cash equivalents at the beginning of the year	-
Cash and cash equivalents at the end of the year	<u>9,474,008</u>
Comprising	
Bank balances and cash	<u>9,474,008</u>

*The accompanying notes 1 to 20 form an integral part of these financial statements.*

# Notes to the Financial Statements

## For the Year Ended December 31, 2007

### 1. GENERAL INFORMATION

The Labour Fund ("the Fund") was established, in accordance with law number 57 (2006) issued on August 12, 2006, as a judicial entity having an independent financial and administrative support and entitled to all the privileges given to other ministries, government entities and public institutions in the Kingdom of Bahrain.

The operations of the Labour Fund was wholly managed by the Economic Development Board (EDB) until December 31, 2006. All the costs were being incurred by the EDB on behalf of the Fund from the budget allocated to the Fund until this date. With effect from January 1, 2007, the Fund operationally separated from the EDB and commenced its operations independently.

The Labour Fund aims at increasing the efficiency and productivity of Bahraini labour, strengthening the national economy, developing the private sector and creating new suitable job opportunities for Bahrainis in the Kingdom of Bahrain.

### 2. ADOPTION OF NEW AND REVISED STANDARDS

#### 2.1 Standards and Interpretations effective in the current period

In the current year, the Fund has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Fund's financial instruments and management of capital (see Note 19).

The following Interpretation issued by the International Financial Reporting Interpretations Committee is effective for the current period.

- IFRIC 10 Interim Financial Reporting and Impairment.

The adoption of this Interpretation has not led to any changes in the Fund's accounting policies.

#### 2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

Name of Standard / Interpretation		Effective for annual periods beginning on or after
<b>Amendments to Standards</b>		
IAS 1	Presentation of Financial Statements Comprehensive revision.	January 1, 2009
IAS 32	Financial Instruments	January 1, 2009
<b>New Interpretations</b>		
IFRIC 14	IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.	January 1, 2008

# Notes to the Financial Statements

## For the Year Ended December 31, 2007

### 2. ADOPTION OF NEW AND REVISED STANDARDS *(CONTINUED)*

The Directors anticipate that all of the above Standards and Interpretations as applicable, will be adopted in the Fund's financial statements in future periods and that the adoption of those Standards and Interpretations will have no material impact on the financial statements of the Fund in the period of initial application.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Statement of Compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards.

#### 3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for the measurement at fair value of financial assets and liabilities.

The financial statements have been presented in Bahraini Dinars being the functional currency of the Fund.

The principal accounting policies are set out below.

#### 3.3 Furniture and Equipment

Furniture and equipment are stated at historical cost less accumulated depreciation. Cost includes all costs directly attributable to bringing the asset to working condition for its intended use.

Depreciation is calculated on the straight-line basis to write-off the cost or valuation of furniture and equipment to their estimated residual values over their expected useful lives as follows:

Furniture and Fixtures	5 years
------------------------	---------

Computers	3 years
-----------	---------

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of furniture and equipment are determined by reference to their carrying amount and are taken into account in determining net surplus.

Repairs and renewals are charged to the statement of activities when the expenditure is incurred.

#### 3.4 Impairment of Tangible Assets

At each balance sheet date, the Fund reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). This loss is reported as part of the results for the year.

# Notes to the Financial Statements

## For the Year Ended December 31, 2007

### 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### 3.5 Financial Assets

##### 3.5.1 Accounts Receivable

Accounts receivable represent fee income receivable from Labour Market Regulatory Authority (LMRA) and is stated at original values.

##### 3.5.2 Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances, and fixed deposits and money on call deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

##### 3.5.3 Impairment of Financial Assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss recognised for the difference between the recoverable amount and the carrying amount. Impairment losses are recognised in the statement of activities.

##### 3.5.4 Derecognition of financial assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### 3.6 Accounts payable and accruals

Liabilities are recognised for amounts to be paid in future for goods or services received, whether billed by the supplier or not. These are carried at cost which is the fair value of the consideration to be settled in future.

#### 3.7 Provisions

A provision is recognised when, and only when, the Fund has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.



# Notes to the Financial Statements

## For the Year Ended December 31, 2007

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.8 Employees' Benefits

For Bahraini employees, the Fund makes contributions to the Pension Fund calculated as a percentage of the employees' salaries. The Fund's obligations are limited to these contributions, which are expensed when due.

The entitlement to leave pay is based upon terms of employment contract with the employees and length of service. The expected costs of these benefits are accrued at the end of each balance sheet period and carried forward until they are utilised.

#### 3.9 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

##### Fees and other income

Fees and other income are recognised when the Fund's right to receive such income is established.

##### Contribution from Government

Contribution from the Government is recognised at its fair value where there is a reasonable assurance that the contribution will be received.

##### Profit income

Profit income is accrued on a time basis, by reference to the principal outstanding and at the effective profit rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value.

#### 3.10 Foreign Currencies

Transactions in foreign currencies are initially recorded in functional currencies at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of activities. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Fund's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

# Notes to the Financial Statements

## For the Year Ended December 31, 2007

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

#### 4.1 Critical judgements in applying the Fund's accounting policies

In the process of applying the Fund's accounting policies, which are described in Note 3, and due to the nature of operation, management did not have to make judgements that may have significant effect on the amounts recognised in the financial statements.

#### 4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### 4.2.1 Useful lives of furniture and equipment

The Fund's management determines the estimated useful lives of its furniture and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset and physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted when management believes the useful lives differ from previous estimates.

### 5. FURNITURE AND EQUIPMENT

	Furniture and Fixtures	Computers	Capital work in progress	Total
	BD	BD	BD	BD
<b>Cost</b>				
Additions	17,979	72,195	2,000	92,174
Disposals	(1,795)	(845)	-	(2,640)
Balance as at December 31, 2007	16,184	71,350	2,000	89,534
<b>Accumulated depreciation</b>				
Depreciation expense	3,906	24,039	-	27,945
Eliminated on disposal	(483)	(329)	-	(812)
Balance as at December 31, 2007	3,423	23,710	-	27,133
<b>Net book value</b>				
At December 31, 2007	12,761	47,640	2,000	62,401

During the period, the Fund obtained a grant of furniture and equipment from the Economic Development Board amounting to BD 73,032 (Note 13). This amount has been recorded as other income.

# Notes to the Financial Statements

## For the Year Ended December 31, 2007

### 6. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2007
	BD
Receivable from the Labour Market Regulatory Authority (LMRA) (Note 12)	5,767,432
Prepayments and other receivables	49,747
	<u>5,817,179</u>

### 7. CASH AND CASH EQUIVALENTS

	2007
	BD
Cash on hand	500
Bank balance	45,239
Balance in the call account	1,018,200
Fixed deposits	8,410,069
	<u>9,474,008</u>

Balances with banks are non-profit bearing, except for certain balances in call accounts which bear profit at market rates.

Fixed deposits have maturity periods up to three months from the date of their inception and earn profit at effective rates of 5.54% per annum.

### 8. GENERAL RESERVE

The Directors decided to transfer 10% of the excess of income over expenditures for each year to a general reserve. There are no restrictions over the utilisation of the general reserve.

### 9. ACCOUNTS PAYABLE AND ACCRUALS

	2007
	BD
Accounts payable	412,293
Other payables ( Note 15)	826,472
Accrued expenses	11,332
	<u>1,250,097</u>

Accounts payable represents amounts payable for various projects in progress as at the balance sheet date.

# Notes to the Financial Statements

## For the Year Ended December 31, 2007

### 10. PROVISION FOR EMPLOYEE BENEFITS

	2007
	BD
Balance at the beginning of the year	-
Additional provision	125,353
Settlements	-
Balance at the end of the year	<u>125,353</u>

The provision for employee benefits represents bonus and leave salary.

### 11. CONTRIBUTION FROM THE GOVERNMENT

In accordance with a meeting held on March 17, 2007 between the Economic Development Board ("EDB") and the Fund, an amount of BD 4,231,418 has been transferred during the year by EDB to the Fund after the approval of Ministry of Finance, which represents the unutilised budgetary allocation for meeting the Fund's projects and operating expenditures.

### 12. FEES INCOME

The fee income represents the Fund's eligibility to 80% share of fees collected for the following;

- From private sector employers for the issue of work permits and its renewal;
- Agencies and recruitment offices permits; and
- Issue and renewal of permits for foreign employers to work in the Kingdom of Bahrain.

These fees are collected by the Labour Market Regulatory Authority "LMRA" and transferred to the Fund based on the above agreed percentage.

### 13. OTHER INCOME

	2007
	BD
Profit income	279,499
Non-cash donations ( Note 5)	73,032
Project income	6,169
	<u>358,700</u>

# Notes to the Financial Statements

## For the Year Ended December 31, 2007

### 14. PROJECT EXPENSES

	2007
	<u>BD</u>
Health Care Training Programme	1,080,000
Enterprise Development Support Programme	401,420
Career Progression	221,900
Hospitality Management Programme	122,596
Ministry of Social Development Project	104,526
Aeronautic Maintenance Engineers Training Programme	329,851
Undergraduate Nursing Education	232,000
CISCO Network Professionals	33,120
Finance and Accounting Programme	33,420
Small and Medium Enterprise Financing Scheme	4,215
Other Projects	1,846
	<u>2,564,894</u>

### 15. UNEMPLOYMENT INSURANCE SUBSCRIPTIONS

	2007
	<u>BD</u>
Unemployment insurance subscriptions	<u>5,595,671</u>

As stipulated in the Unemployment Law promulgated in Decree 87 of 2006, the Fund should contribute 1% unemployment subscriptions to the General Organisation for Social Insurance on behalf of the employers of the private sector. The amounts payable as at December 31, 2007 represents the subscription amount due for the month of December 2007 (Note 9).

# Notes to the Financial Statements

## For the Year Ended December 31, 2007

### 16. EMPLOYEE SALARIES AND BENEFITS

	2007
	BD
Salaries	753,561
Other staff allowances	244,599
Pension Fund contributions	100,638
Transport allowances	42,778
Social allowances	35,158
Life and medical insurance	37,203
Telephone and communications	14,720
	<u>1,228,657</u>

### 17. RELATED PARTY TRANSACTIONS

#### Compensation of key management personnel

The remuneration of the key management during the year was as follows

	2007
	BD
Short term benefits	253,878
Long term benefits	27,761
	<u>281,639</u>

The above compensation was in the form of salaries, allowances and bonuses.

# Notes to the Financial Statements

## For the Year Ended December 31, 2007

### 18. COMMITMENTS AND CONTINGENT LIABILITIES

#### 18.1 Commitment for expenditures

	2007
Human Capital Development projects	26,094,743
Private Sector Support projects	7,317,748
Other projects	2,358,250
	<u>35,770,741</u>
Analysed as	
Not longer than one year	13,468,830
Longer than one year and not longer than five years	22,301,911
	<u>35,770,741</u>

The above commitments were calculated based on the management's best estimates, considering the expected expenditures on various projects.

#### 18.2 Contingent liability

	2007
	BD
Financing guarantee	<u>10,000,000</u>

Pursuant to the memorandum of understanding dated July 18, 2007, Shamil Bank of Bahrain B.S.C. agreed to grant financing facilities to the companies supported by the Fund for the amount up to BD 12.5 million, out of which the Fund agreed to guarantee up to 80% of the value of all outstanding amounts due to the bank under the above facilities. The Fund's liability under this guarantee is limited to BD 10 million and will automatically be reduced by any amount paid under this guarantee.

### 19. FINANCIAL INSTRUMENTS

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Fund include bank balances and cash equivalents and accounts receivable and prepayments.

Financial liabilities of the Fund include accounts payables, other payables and accrued liabilities.

Accounting policies for financial assets and liabilities are set out in Note 3.

The risk associated with financial instruments and the Fund's approaches to managing such risks are described below:

# Notes to the Financial Statements

## For the Year Ended December 31, 2007

### 19. FINANCIAL INSTRUMENTS (CONTINUED)

#### 19.1 Categories of financial instruments

The summary of financial assets and liabilities are as follows

	2007
	BD
Financial assets	
Receivables (including cash and cash equivalents )	15,291,187
Financial liabilities	
Amortised cost	1,375,450

#### 19.2 Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's short term deposits carry fixed interest rates and mature within three months.

The Fund's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

#### 19.3 Credit risk management

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Fund's receivables represents the fee income receivable from Labour Market Regulatory Authority and the exposure to credit risk is limited as the Fund's eligibility to the above income is established by Law.

#### 19.4 Liquidity risk management

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Fund's short, medium and long-term funding and liquidity management requirements. The Fund manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.



# Notes to the Financial Statements

## For the Year Ended December 31, 2007

### 19. FINANCIAL INSTRUMENTS (CONTINUED)

#### 19.4.1 Liquidity and interest risk tables

The following tables detail the Fund's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than three months	Total
		BD	BD
2007			
Non-interest bearing	-	1,375,450	1,375,450

The following table details the Fund's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Fund anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate %	Less than three months	Total
		BD	BD
2007			
Non-interest bearing	-	5,819,870	5,819,870
Variable interest rate instruments- Principle	5.54%	9,471,317	9,471,317
Interest on variable interest rate instruments	5.54%	65,175	65,175
		<u>15,356,362</u>	<u>15,356,362</u>

#### 19.5 Currency risk management

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund's assets and liabilities are denominated in Bahraini Dinars. Therefore the Fund's exposure to foreign currency risk is insignificant as at the balance sheet date.

# Notes to the Financial Statements

## For the Year Ended December 31, 2007

### 19. FINANCIAL INSTRUMENTS *(CONTINUED)*

#### **19.6 Fair value 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. 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 values of the Fund's financial instruments approximated their carrying amounts as at the balance sheet date.

### 20. COMPARATIVE FIGURES

Comparative balances for 2006 have not been presented as 2007 is the first year of independent operations.