

Working for a **prosperous future**
Annual Report 2008



Tamkeen. The new identity for the Labour Fund



His Highness
Shaikh Khalifa Bin Salman Al Khalifa
The Prime Minister



His Majesty
King Hamad Bin Isa Al Khalifa
The King of the
Kingdom of Bahrain



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

A new look and fresh initiatives herald a **positive future** for both Bahrain and its people.

Tamkeen. The new identity for the Labour Fund

Working together towards a **Prosperous future**

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Chairman's Statement



“Work; so **Allah will see your** work and (so will) His Messenger and the believers”

The Holy Quran, Surat At-Taubah, Verse 105

As the world steps into yet another year, Tamkeen, as part of the Kingdom's Vision 2030, is today at the forefront of shaping our Kingdom's future, helping implement an ambitious Labour Market Reform Plan. As we seek to enable a faster pace of transformation, empowering every Bahraini with the required skills, training and resources to join us as active agents of economic change, our activities are marked by clarity of purpose and driven by the Kingdom of Bahrain's Vision 2030 strategy.

At Tamkeen, we support Bahrainis in becoming the employees of choice whilst creating the most modern business processes and technology for the Bahraini private sector. The past year has seen Tamkeen achieving a number of milestones towards promoting business growth and enabling Bahrainis by investing in the human capital of the country.

Keeping this goal in view, the agency was rebranded as **Tamkeen** - an Arabic word which means “**To empower and enable**” and launched an awareness campaign that reflected Tamkeen's role, its mission and vision for Bahrain. Understanding who we are is the first step towards the achievement of our objectives.

In 2008, Tamkeen commissioned the Skills Gaps Survey - a scientific and detailed examination of our Kingdom's human resources and how they fit our workplace requirements. This study forms the basis of how we manage our future. The future we want to carve hand in hand with all Bahrainis. An enhanced workplace and a powerful human resource pool with updated skills.

The year saw a landmark rise in the internationally recognised qualifications accessed by Bahrainis through Tamkeen and the number of Bahraini businesses who have implemented our world-class business development facilities.

The Kingdom's vision 2030 has been set. Foundations for solid plans ready to be implemented have also been put in place. To face the challenges ahead, we look forward with assurance to the next stage of progress in developing new initiatives and partnering with the private sector in its journey towards success, aiming for a prosperous future for all Bahrainis.

Nezar Bin Sadiq Al Baharna
Chairman

Board of Directors



Tamkeen is led by a **league of visionaries** who represent the Government, Private and Banking Sectors and General Federation of Bahrain Trade Unions.

From left to right, top row:

H.E. Dr. Nezar Bin Sadiq Al Baharna (Chairman), Sharif Mohamed Ahmadi (Vice Chairman) , Sayed Salman Jaffar Almahfood

From left to right, middle row:

Dr. Zakaria Ahmed Hejres, Dr. Fareed Ahmed Al Mulla, Adel Mohamed Mattar

From left to right, bottom row:

Ahmed Mohamed Al Banna, Mohamed Abdulrahman Mohamed, Elham Abdulla Hassan

Chief Executive's Statement



“Desires are not fulfilled by wishes but is **achieved by hard work.**”

Al Mutanabi

At Tamkeen - we strive to respond to change, create new opportunities, develop new skills-sets and new attitudes. Our work underpins the Labour Market Reform Plans initiated by the leadership and government of the Kingdom of Bahrain - we are the catalysts of change in this new era.

Tamkeen is working in an uncharted territory to accomplish a dream that is inspired by our desire for the Bahraini individual to take his rightful place in our Kingdom, our region and our world. A journey of this magnitude naturally needs a roadmap and for us, that comes in the form of the Kingdom of Bahrain's Vision 2030 action plan that keeps the spotlight firmly on why we need to change, how this change can be effected and who our beneficiaries are.

Vision 2030 informs our every initiative and action and helps us to create an action-plan that is a combination of accountability and independence. This helps us to respond creatively and constructively to the issues we are tackling. Whether it is training of fresh graduates for new career opportunities in accountancy, retail industry or call centre communications, as healthcare professionals or aeronautical engineers; whether it is about empowering SMEs through business development projects and access to world-class technology and consultancy, Tamkeen has always strived to forge innovative training methods to bring the best global business and development trends to Bahrain.

As you will read in our Annual Report, we have plenty to show for a year in which we sowed the seeds of action that will undoubtedly reap us rich rewards this year and in the near future. Tamkeen has travelled far on the road to making Bahraini nationals the “employees of choice” especially in the private sector. Increasingly, we are seeing acceptance of our training programmes and the most encouraging sign is that Bahrainis are looking at new career options with eagerness. At the same time, employers are also coming to us to discuss ways to stimulate the job market and meet the demand for employees from the pool of trained Bahrainis or even by tapping Tamkeen's resources to have training programmes tailor-made for their organisations.

Tamkeen has also invested richly in information gathering through strategic research initiatives such as the Skills Gaps Survey. Such data is vital if we are to use our resources wisely and build future training and business support initiatives since they paint a clear picture of what the future Bahraini and regional workplace needs.

I invite you to join us on this journey of empowerment that will bring prosperity to our Kingdom. Together, let us listen, analyse and share our desire for a prosperous and productive life and map our way forward to a bright future in which we can reach our fullest potential as citizens of our Kingdom and create a heritage of recognising, nurturing and rewarding talent at all levels.

Abdulullah Ebrahim Al Qassimi
Chief Executive

Executive Management



The combined knowledge pool and administrative capability of the Executive Committee perfectly complement the experience and expertise of the 39 member strong Bahraini team.

From left to right:

Suha Saeed Karzoun (Vice President – Finance and Support), Abdullellah Ebrahim Al Qassimi (Chief Executive)
Amal Ishaq Al-Kooheji (Senior Manager – Human Capital Development), Mohammed Ali Bucheery (Senior Manager – Private Sector Support) Dr. Ahmed A.Hameed A.Ghani Al Shaikh (Vice President – Enterprise and Human Capital Development)
Dr. Nasser Ali Qaedi (Senior Manager – Planning and Development)



Private Sector Support Current Programmes

Tamkeen's initiatives **enhances business productivity,** instills competitiveness and raises standards.

Enterprise Growth Management (EGM)

As part of Tamkeen's Enterprise Growth Management (EGM) strategy, the Enterprise Development Support Programme (EDS) was developed with the following objectives:

- To enhance business productivity, competitiveness and strengthen presence in the market
- To raise the standards of corporate performance
- To support employment and wage opportunity improvements

Financial support is extended with Tamkeen contributing 50% of the associated costs up to a maximum of BD 10,000 for small enterprises and up to BD 15,000 for medium enterprises. The EDS programme includes co-financing schemes and has an allocated budget of BD 20.4 million targeting 2229 small and medium sized enterprises (SMEs).

Currently the EDS programme forks into five main schemes as follows:

Business Information Scheme (BIS)

BIS is designed to allow SMEs to establish an audited accounting process that provides a clear and transparent business information system.

Business Development Scheme (BDS)

BDS is designed to provide comprehensive business review solutions in all areas of business through consultation services.

Quality Management System (QMS)

QMS is designed to allow enterprises to establish Management Systems such as ISO, Six Sigma, Food Safety Management System, Occupational Health and Safety Management Systems amongst others.

Growth Assistance Programme (GAP)

GAP is designed to enhance SMEs sustainability and their ability to extend their products and services beyond Bahrain's market through product, marketing and export developments.

Technical Assistance Programme (TAP)

TAP is designed to help businesses make the transition from reliance on labour to utilisation of machinery and technology.

Programme Achievements

Upto the end of 2008, 825 SMEs have benefited from these programmes amongst which are 95 females.

Number of beneficiaries by Programme:

Programme	Number of beneficiaries
Business Information Scheme	273
Business Development Scheme	157
Quality Management System	11
Growth Assistance Programme	18
Technical Assistance Programme	366
Total	825

Number of beneficiaries by Sector:

Sector	Number of beneficiaries
Manufacturing	125
Construction	349
Services	351
Total	825

Current Programmes - continued

Finance Scheme

The objectives of the Finance Scheme are:

- To minimise the financing gap that SMEs face because of the reluctance of the financial institutions to lend without collaterals
- To make a provision of guaranteed financing to SMEs at a low profit rate
- To support, grow and develop SMEs

The first Finance Scheme was launched with Shamil Bank in late August 2007 with a portfolio of BD12.5 million targeting 300 SMEs to benefit from the low profit rate loans. The successful outcome of the first finance scheme necessitated expanding the scheme to include other financial institutions. In May 2008, a second finance scheme was launched with Bahrain Development Bank (BDB) with an additional BD20 million allocated to serve another 900 SMEs amongst which 44 women have benefited.

Programme Achievements

Upto end of 2008, the following sectors have benefited from our finance scheme:

Sector	Number of beneficiaries	Financial value in Bahraini Dinars
Construction	135	5,879,179
Wholesale and Retail Trade	167	4,794,016
Manufacturing	57	2,198,320
Transport, storage and communications	39	1,121,750
Hotels and Restaurants	14	451,900
Education	9	315,000
Health & Social Work	1	25,000
Others	51	1,056,988
Total	473	15,842,153

e-Marketplace

e-Tendering

The scope of this project is to train 300 Bahraini companies so as to provide them with the necessary hands-on skills and experience for making transactions over the e-Tendering system maintained by the Bahrain Tender Board. This programme is expected to result in emerging opportunities for the private sector to capture a larger share of government's projects and purchases.

e-Procurement

Tamkeen is spearheading an initiative for creating an e-Market place for the procurement of goods and services that are less than BD10,000 in value where various government entities purchase from local enterprises. The main aim of this initiative is to enhance the enterprises accessibility to the government purchases.

Tamkeen is also negotiating with a number of high profile companies to establish an e-Procurement marketplace that has the potential of interfacing with the Ministries' e-Procurement marketplace once developed.

“If you don't **add value to Life**
you will not be valued by life”

Egyptian Poet Mustafa Sadiq Al-Rafei

Private Sector Support

Upcoming Initiatives

Enterprise Growth Management

Mohasaba

After serving over 273 SMEs with accounting and auditing services through the BIS scheme, Tamkeen is launching an enhanced version of BIS called “Mohasaba” programme. Through “Mohasaba” scheme Tamkeen is targeting 1200 small enterprises to develop an accounting system that conforms to international accounting standards. The scheme also embeds auditing service provision for 2 consecutive years. Tamkeen will co-finance the programme by BD3,500 while the small enterprise will pay BD1,000 only for both services.

Mergers & Acquisition

This programme is being developed to support the growth and expansion of businesses, guide firms to enhance their market activities and yield more beneficial employment opportunities. It will also develop and raise awareness of mergers and acquisitions and support B2B networking.

Once set into motion it will help businesses enhance competitiveness and strengthen their presence in the market. It will also raise the standards of corporate performance and support employment and wage opportunities improvement.

Diversifying Businesses

This initiative will help raise awareness, facilitate, and support the value - added opportunities realised from diversifying business activities. Tamkeen will add value by identifying businesses whose potential can be leveraged through adding complimentary components to the core activities of the business.

It will also expand the base of the business through identifying complimentary components and creating supporting ventures with value added job opportunities.

e-Marketplace

ICT Infusion

The ICT infusion programme aims to enhance the enterprises’ productivity and competitiveness through harnessing the Information and Communication Technologies (ICT) within their core and supportive operations.

The programme complements the e-Procurement marketplace initiative through enabling the enterprises to enhance their readiness for these marketplaces.

Empowering Women

Tamkeen strives to empower women by creating new opportunities that allows them to excel in their chosen fields.



Human Capital Development

Current Programmes

Tamkeen's Human Capital Development programmes fill manpower shortages and skills gaps in the private sector, creating **new opportunities** for labour market entrants.

Human Capital Development Programmes and Beneficiary numbers

Programme	Number of targeted beneficiaries	Enrolled upto 2008	Project Cost Bahraini Dinars ('000)
Skills Gaps			
Health Care	1,024	532	11,761
Aeronautical Maintenance Engineering	61	61	1,084
Hospitality	1,870	669	4,151
Accounting and Finance	700	213	1,801
Retail	2,150	185	3,728
Information Technology Networking Engineers	100	62	400
Occupational Health & Safety	200	-	1,000
Talent Management			
Human Resources Certification	200	152	400
Leadership Development	200	65	195
Career Progression Programme	6,500	2,169	12,610
Received Initiatives			
Gulf Air Worldwide Call Centre	150	108	77
Call Centre Agents and Medical Coordinators (MENA Business)	328	151	680
Retail Banking (BBK)	100	20	160
Graduate Executive Management – Bahrain Insurance Association	120	12	495
Business Ethics – InJAz Bahrain	4680	-	126
Total	18,383	4399	38,668

Specialised Training for Skills Gaps

The Skills Gaps programmes are designed to provide for the skills shortage in the defined professions and career streams. These initiatives aim to fill evident skills shortages and gaps in the private sector thus offering employers with the skills needed while recruiting new employees and on the other hand assists in the provision of new job opportunities for labour market entrants.

Currently, the Skills Gaps initiative covers the following sectors and professions and runs the following programmes:

Health Care

This programme will qualify 1024 nurses and allied health technicians by the year 2014 in four major tracks:

- Healthcare Assistants - 200 beneficiaries
- Allied Health Technicians - 187 beneficiaries
- General Nurses - 557 beneficiaries
- Specialty Nurses - 80 beneficiaries

Aeronautic Maintenance Engineering

61 Bahraini nationals currently undergoing their studies will become professionally certified aeronautics maintenance engineers with a European Aviation Safety Agency (EASA) 147 Part 66 licenses.

Hospitality

This project funds the training for more than 1,800 Bahrainis in diverse fields of the hospitality sector as follows:

- Various entry-level positions - 1,500 beneficiaries
- Middle-level/Supervisory positions - 300 beneficiaries
- Managerial graduate positions - 50 beneficiaries
- Professional qualification in Human Resource Management - 20 current employees in human resource departments of hospitality sector

Accountancy and Finance

700 Bahrainis are being provided with the chance to embark on successful and prosperous careers in various fields and sectors by attaining one of the following professional certifications:

- Certified Accounting Technician (CAT) - 400 beneficiaries
- Association of Certified Chartered Accountants (ACCA) - 250 beneficiaries

- Certified Management Accountant (CMA) - 25 beneficiaries
- Professional Risk Manager (PRM) - 25 beneficiaries

Retail

This programme aims to support current and growing needs of the booming Retail Sector in Bahrain, helping 2,150 beneficiaries to either start promising careers in the sector or progressing their existing job prospects:

- Visual Merchandisers and various entry-level positions - 2000 beneficiaries
- Supervisory positions - 100 beneficiaries
- Management positions - 50 beneficiaries

IT Networking

100 beneficiaries will become certified CISCO computer network professionals both at entry as well as advanced levels

Occupational Health & Safety

This full-time two-year programme will train 200 secondary school graduates and certify them as health and safety professionals ready to take on available and suitable employment opportunities.

Talent Management Programme

The Talent Management Programme will help to develop and sustain corporate cultures that will constitute the basis for productivity enhancement and effective people and business management in various private sector enterprises. The initiative targets existing employees and management. It currently includes two streams:

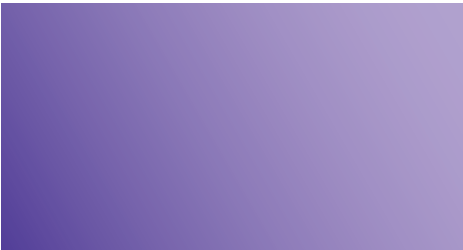
- Diploma in Human Resource Management awarded by the Royal Institute of Public Administration (RIPA)
- Diploma in Management and Leadership awarded by the Chartered Institute of Management and (CIM).

Career Progression

The Career Progression Programme aims to enhance the productivity and skills of Bahrain's local talent through the development of skills leading to a wage increase of at least BD 50 for existing employees earning between BD 200 - BD 400 in its current phase. Underemployed Bahrainis may also be offered direct salary improvement in some cases.

“God loves the one who achieves and does his **work proficiently.**”

Hadith Sharif, Prophet Mohammed (P.b.u.h)



Human Capital Development

Upcoming Initiatives

Specialised Training for Skills Gaps Initiatives

This continuous stream of initiatives aims to make Bahrainis skilled in targeted value-added professions. It will provide employment opportunities to capable Bahrainis and on the other hand provide the private sector with the talented local human resources that it requires. To follow are some of the initiatives:

IT Security and Web Page Development

This project is expected to provide a pool of 200 skilled labour force equipped with internationally recognised qualifications in Security and Web Page Development professions.

Administrative Assistants

This project aims to train 100 new Bahraini graduates with Office Management Diplomas or equivalent qualifications and provide them with value-added training and job opportunities in various sectors.

Quantity Surveyors

200 recently graduated Bahraini engineers will be offered the opportunity to further their careers and benefit from the current boom in the construction and real estate sectors through specialised training in Quantity Surveying.

Career-Market Awareness Campaigns

This initiative aims to launch awareness campaigns to highlight the benefits of working in some un-known or undesirable sectors in Bahrain. This is in order to allow Bahrainis to reap benefit from the various opportunities that are available in the career-market in Bahrain.

Work Attitudes Development Scheme

This initiative is designed to develop more effective workplace environments. It will spread awareness of work ethics amongst school and university students, private sector companies and the public. This will in turn enhance the desirability of local entry-level recruits and achieve sustainable employment.

National Occupational Standards Advocacy

This initiative will address the current discrepancies in the basic skills sets of similar occupations in different sectors and establishments. It aims to advocate the need for National Occupational Skills Standards with relevant bodies and assist in sponsoring these initiatives.

International Apprenticeship Programme

This developmental scheme provides junior management in the private sector with the opportunity to work in blue-chip companies and return to transfer the acquired knowledge and international exposure benefiting the Bahraini local market. This will also help disseminate international best practices to the Bahraini local market to enhance work processes, management practices and promote a corporate culture.

Received Initiatives

Human Capital Development and Private Sector Support

Received Initiatives

In addition to the initiatives derived from Tamkeen's strategy that focuses on specific sectors within the market, Tamkeen also welcomes proposals from the public at large for initiatives to resolve specific areas of concern, with an allocated annual budget from Tamkeen's total revenues. In determining which initiatives will be taken onboard, consideration will be given to; cost effectiveness, reward implications, overall impact on stakeholders and relevance to Tamkeen's strategic objectives.

Human Capital Development Initiatives

Gulf Air Worldwide Call Centre Programme

Tamkeen kick started its first employer driven employment and training programme helping Gulf Air to relocate its Worldwide Call Centre operations from Oman to Bahrain. In this project Tamkeen will guarantee employment for 200 Bahraini jobseekers and sponsor the costs of their training.

MENA Business Services

Call Centre Agents and Medical Coordinators

Tamkeen and MENA Business Services started its training and employment programme of 298 Bahraini bilingual Call Centre Agents and 30 Medical Coordinators. The programme offers the beneficiaries a comprehensive training programme to prepare them to take on job roles in Call Centres, Retail, Telecom, Banks, and Commercial Centres.

BBK - Retail Banking

Tamkeen and BBK collaborated to provide access to 100 Bahrainis with a minimum of an academic or technical diploma into rewarding banking career opportunities. Beneficiaries enrol in a 5-week programme prior to accepting job offers in the Retail Banking Division of the bank.

Graduate Executives Management – Insurance Programme

Tamkeen and the Bahrain Insurance Association (BIA) launched the Graduate Executive Management Programme (GEM) in collaboration with the Bahrain Institute of Banking & Finance (BIBF). The programme aims to fill the existing gaps in the middle management layer of insurance and reinsurance companies operating in Bahrain.

Business Ethics – inJAz Bahrain

This initiative targets 4,680 secondary and university students and will enrol them in a Young Achievements module entitled Business Ethics over a three-year project duration. Participants near graduation will be equipped with proper knowledge of business ethics and its related concepts.

Private Sector Support Initiatives

Women Empowerment

Tamkeen is currently working closely with the Supreme Council for Women to help Bahraini women attain the skills and technical support to start their own community-based micro businesses.

10 beneficiaries are currently benefiting from the Transportation Scheme and 28 others from the Tailoring and Fashion scheme.

Planning and Development

Tamkeen's Planning and Development activities seek to identify future economic growth potential, explore opportunities, enhance the impact of initiatives, identify economic targets as well as support strategic investments and business development projects designed to maximise impact and develop value added employment and business opportunities in the economy.

These include developing and enhancing strategic alliances with leading organisations to serve the interest and objectives of the organisation and economy. Amongst the projects that the unit is working on, include or are:

Strategic Partnerships with International Think Tanks

To share and access knowledge experience, this project will see us becoming partners with recognised Global Research Institutes to conduct high level research and acquire professional consultancy or research work related to our mandate.

Survey and Research

Tamkeen has commissioned various surveys and studies, the results of which have been used either as input to Tamkeen's strategy or have been shared with external interested parties for their information. Such surveys included:

Skills Gaps Research

Tamkeen is conducting a nation-wide comprehensive research project to measure and evaluate skills deficiencies and assess the extent, sources and impact of these deficiencies.

- The research covers current, emerging and future skills deficiencies and requirements in Bahrain's labour market in terms of individual occupations, occupation sets and skills groups
- This research covers the majority of economic sectors and activities in the Kingdom and will serve as a basis for formulating industrial and occupational outlooks as well as career guidance and awareness activities by academic and training institutions across Bahrain
- This research will also serve as a foundation in order to conduct and achieve skills standards across industries, occupations and job levels

Business Scoring Model (SME Research)

The Business Scoring Model is a tool aimed at a comprehensive evaluation of all the factors (financial and non-financial) required for the evaluation of a business / project seeking funding for starting up (Greenfield) or fuelling expansion (Brownfield).

The framework attempts to broadly factor in all facets – both at macro and micro level and resultantly assign an output composite score reflecting the likelihood of business success and the implied probability of payment default of the business.

Information Communication Technology Readiness Research

The ICT readiness research assesses and evaluates SMEs in terms of degree or level of ICT awareness, acceptability, accessibility and usage.

It will also tackle the challenges and concerns faced by businesses which hurdles the usage of ICT technology. In that stream, clustering challenges and needs are provided and solutions are tailored accordingly through Tamkeen's programmes.

Quality Management Scheme Research

The primary goal is to conduct a thorough survey and analytical study encompassing an in-depth and comprehensive analysis of potential demand for quality management adoption and benefits incurred by SMEs from adopting and maintaining various quality management systems, industry certifications and/or product standards.

Strategies and recommendations derived from the research will be used as a base for Tamkeen's roadmap to develop approaches to tackle a quality-driven culture in Bahrain's private sector, with a specific focus on SMEs.

Kindergarten Research

The study encompasses an in-depth analysis of the business models employed in smaller KGs in Bahrain, including an investigation of financial, manpower planning, human development and technology infusion processes and systems as well as fee structures in relevance to wages. Recommendations delivered will be based on a situational assessment which will investigate the sustainability and support mechanisms, and solutions that needs to be sought.

Planning and Development

Upcoming Research Projects

Business Dynamics Surveys

An establishment survey analysing job growth, creation and the challenges in the Bahraini economy as well as labour market dynamics in general.

Tamkeen's Corporate Image Evaluation

Assessment of Tamkeen's public image includes public and stakeholder satisfaction surveys as well as marketing audits.

Training Capacity Assessment

A survey and analysis of the current training environment in Bahrain, identifying shortages and weaknesses in provision and delivery and identifying areas for improvement.



Planning and Development

Upcoming Projects

Strategy Update

To update Tamkeen's current Strategy to define a long term plan of action designed to achieve the set goals.

Investment Support

The investment support stream explores the potentials for identifying the value proposition for Foreign Direct Investment, and also explores companies that can support potential value added employment, wage and business opportunities in the economy.

It will also involve evaluating and identifying the potential for new businesses, as well as supporting the creation of value added business activities that will stimulate private sector growth. It will help identify market gaps for business and services that are lagging in the economy and are required to fuel further development and advancement across key segments. It will also generate value added job opportunities, build the capabilities and capacities of new established businesses, knowledge and support transfer to local talent.

The investment support stream will assess and gauge the needs of new business investments and identify Human Capital Development and Private Sector support solutions. The programme aims to provide customised business and human capital related infrastructure and support packages.

Market Gaps Study

The study will identify business and market activity gaps and deficiencies that exist across all sectors. This market mapping exercise will effectively identify existing opportunities to reinforce sectoral growth and activity as well as serve to support the validation of business potential. The study will feed into existing investment support projects, as well as other Tamkeen programmes.

Hewitt Best Employers in Middle East 2009

Hewitt is working with Tamkeen as its local partner for the 2008 - 2009 Study in the Middle East to identify the distinguishing qualities that make organisations, the Best Employers in the Middle East.

Productivity Movement – Singapore Cooperation Enterprise (SCE)

This study explores an implementation mechanism for a Productivity Movement in Bahrain, taking into account the existing work practices, the social and cultural factors as well as the organisational and administrative structures to support and sustain the movement.

The study will also examine the feasibility of overseas training and visits to promote better labour management relations and raise the professionalism of union and business leaders and their management counterparts.

The outcome will be a roadmap that will specify the target audience, promotional themes and programmes for the movement. The study will also cover the organisational and administrative structures to support and sustain the Productivity Movement, including the roles and functions of a proposed National Productivity Council, the Productivity Secretariat and other key stakeholders such as the Government, employer groups and unions.

Directors' Report

The Directors present their annual report and financial statements for the year ended December 31, 2008.


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 job opportunities for Bahrainis in the Kingdom of Bahrain.

On behalf of the Board,



Dr. Nezar Bin Sadiq Al Baharna
Chairman



Sharif Mohamed Ahmadi
Vice Chairman

Review of Business

The results for the year are set out on page 29 of these financial statements.

Changes In Directors

There have been no changes in the Directors of the Fund during the year.

Independent Auditors' Report to the Board of Directors

Labour Fund,
Manama,
Kingdom of Bahrain.

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, 2008, 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

The 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 control 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.

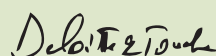
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of Labour Fund as at December 31, 2008, 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 on August 12, 2006 to establish the Fund, having occurred during the year ended December 31, 2008 that might have had a material effect on the activities of the Fund or on its financial position.



Deloitte & Touche

Manama - Kingdom of Bahrain,
February 24, 2009

Statement of Financial Position

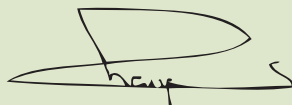
As at December 31, 2008

	Notes	2008 BD	2007 BD
ASSETS			
Non-current assets			
Furniture and equipment	5	479,764	62,401
Financial asset held to maturity	6	1,166,745	-
Total non-current assets		1,646,509	62,401
Current assets			
Accounts receivable and prepayments	7	11,669,934	5,817,179
Cash and cash equivalents	8	19,590,083	9,474,008
Total current assets		31,260,017	15,291,187
Total assets		32,906,526	15,353,588
ACCUMULATED FUNDS AND LIABILITIES			
Accumulated funds			
General reserve	9	3,058,288	1,397,814
Accumulated surplus		27,524,594	12,580,324
Total accumulated funds		30,582,882	13,978,138
Current liabilities			
Accounts payable and accruals	10	2,323,644	1,375,450
Total accumulated funds and liabilities		32,906,526	15,353,588

These financial statements were approved by the Directors on February 24, 2009 and signed on their behalf by:



Dr. Nezar Bin Sadiq Al Baharna
Chairman



Sharif Mohamed Ahmadi
Vice Chairman



Abdullah Ebrahim Al Qassimi
Chief Executive

The accompanying notes 1 to 19 form an integral part of these financial statements.

Statement of Activities

For the Year ended December 31, 2008

	Notes	2008 BD	2007 BD
Income			
Contribution from the Government	11	-	4,231,418
Fees income	12	39,586,337	19,148,842
Other income	13	530,703	358,700
Total income		40,117,040	23,738,960
Expenditures			
Project expenses	14	9,558,616	2,564,894
Unemployment insurance subscriptions	15	11,579,152	5,595,671
Employee salaries and benefits	16	1,569,188	1,228,657
General and administrative expenses		383,045	211,429
Advertising and marketing expenses		272,882	60,524
Training expenses		113,845	71,702
Depreciation expense		35,568	27,945
Total expenses		23,512,296	9,760,822
Excess of income over expenditures for the year transferred to accumulated surplus		16,604,744	13,978,138

The accompanying notes 1 to 19 form an integral part of these financial statements.

Statement of Changes in Accumulated Funds

For the Year ended December 31, 2008

	General Reserve BD	Accumulated Surplus BD	Total BD
Balance as at January 1, 2007	-	-	-
Excess of income over expenditures for the year	-	13,978,138	13,978,138
Transfer to general reserve	1,397,814	(1,397,814)	-
Balance as at December 31, 2007	1,397,814	12,580,324	13,978,138
Excess of income over expenditures for the year	-	16,604,744	16,604,744
Transfer to general reserve	1,660,474	(1,660,474)	-
Balance as at December 31, 2008	3,058,288	27,524,594	30,582,882

The accompanying notes 1 to 19 form an integral part of these financial statements.

Cash Flow Statement

For the Year ended December 31, 2008

	2008 BD	2007 BD
Cash flows from operating activities		
Excess of income over expenditures for the year	16,604,744	13,978,138
Adjustments for:		
Depreciation	35,568	27,945
Grant of furniture and equipment	-	(73,032)
Profit income	(524,177)	(358,700)
Loss on disposal of furniture and equipment	1,151	692
	16,117,286	13,575,043
Changes in operating assets and liabilities:		
Increase in accounts receivable and prepayments	(5,852,755)	(5,817,179)
Increase in accounts payable and accruals	948,194	1,375,450
Net cash from operating activities	11,212,725	9,133,314
Cash flows from investing activities		
Purchase of furniture and equipment	(454,432)	(19,142)
Proceeds from disposal of furniture and equipment	350	1,136
Acquisition of financial asset held to maturity	(1,166,745)	-
Profit income received	524,177	358,700
Net cash (used in)/from investing activities	(1,096,650)	340,694
Net increase in cash and cash equivalents	10,116,075	9,474,008
Cash and cash equivalents at the beginning of the year	9,474,008	-
Cash and cash equivalents at the end of the year	19,590,083	9,474,008
Comprising:		
Bank balances and cash	19,590,083	9,474,008

The accompanying notes 1 to 19 form an integral part of these financial statements.

Notes to the Financial Statements

For the Year ended December 31, 2008

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 adopted in the current year

Three Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 11: IFRS 2: Group and Treasury Share Transactions, IFRIC 12 : Service Concession Arrangements and IFRIC 14: IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction. The adoption of these Interpretations has not led to any changes in the Fund’s accounting policies.

2.2 Standards and Interpretations in issue not yet adopted

New standards:

IFRS 8 Operating Segments (effective January 1, 2009)

Amendments to Standards:

IAS 23 Borrowing Costs (Revised March 2007) (effective January 1, 2009)

IAS 1 Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income (effective January 1, 2009)

IAS 27 Consolidated and Separate Financial Statements – Amendments – (effective July 1, 2009)

IAS 28 Investments in Associates (effective January 1, 2009)

IAS 31 Interests in Joint Ventures (effective January 1, 2009)

IAS 32 Financial instruments – Presentation (effective January 1, 2009)

IAS 36 Impairment of assets (effective January 1, 2009)

IAS 39 Financial instruments: Recognition and Measurement (effective July 1, 2009)

IFRS 2 Shared-based payment (effective January 1, 2009)

IFRS 3 Business Combinations – Revised (effective July 1, 2009)

IFRS 5 Non-current assets held for sale and disclosed operations (effective July 1, 2009)

Various amendments as part of IASB’s annual improvements projects published in May 2008:

IAS 38 Intangible assets (effective January 1, 2009)

IAS 19 Employees benefits (effective January 1, 2009)

IAS 20 Accounting for Government grants and Disclosure of Government Assistance (effective January 1, 2009)

IAS 23 Borrowing Costs (effective January 1, 2009)

Notes to the Financial Statements

For the Year ended December 31, 2008

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

IAS 27	Consolidated and Separate Financial Statements (effective January 1, 2009)
IAS 28	Investments in Associates (effective January 1, 2009)
IAS 29	Financial Reporting in Hyperinflationary economies (effective January 1, 2009)
IAS 31	Interests in Joint Ventures (effective January 1, 2009)
IAS 39	Financial Instruments: Recognition and Measurement (effective January 1, 2009)
IAS 40	Investment property (effective January 1, 2009)
IAS 41	Agriculture (effective January 1, 2009)
IAS 1	Presentation of financial statements (effective January 1, 2009)

New Interpretations:

IFRIC 13	Customer Loyalty Programmes (effective July 1, 2008)
IFRIC 15	Agreement for the Construction of Real Estate (effective January 1, 2009)
IFRIC 16	Hedges of a Net Investment in a Foreign Operation (effective October 1, 2008)
IFRIC 17	Distributions of Non-cash Assets to Owners (effective July 1, 2009)

Minor amendments (not covered above) to IFRS 7: 'Financial instruments: Disclosures', IAS 8: 'Accounting policies, changes in accounting estimates and errors', IAS 10: 'Events after the reporting period', IAS 18: 'Revenue' and IAS 34 - 'Interim Financial Reporting'.

The Directors anticipate that, where applicable, the above Standards and Interpretations will be adopted in the Fund's financial statements for the periods commencing on or after January 1, 2009 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:

Statement of Compliance

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

Basis of Preparation

The financial statements have been prepared on the historical cost basis.

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

The significant accounting policies are set out below.

3.1 Furniture and Equipment

Furniture and equipment are stated at historical cost less accumulated depreciation and accumulated impairment, if any. 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 of furniture and equipment to their estimated residual values over their expected useful lives as follows:

Furniture and Fixtures	5 years
Computers	3 years

Notes to the Financial Statements

For the Year ended December 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

3.1 Furniture and Equipment (continued)

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.

3.2 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.

3.3 Accounts Receivable

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

3.4 Cash and Cash Equivalents

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

3.5 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.

3.6 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.

3.7 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.

3.8 Financial Asset Held to Maturity

Financial asset with fixed or determinable payments and fixed maturity date and that the Fund has the positive intent and ability to hold to maturity, is classified as a financial asset held to maturity and is measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. Amortised cost is calculated by taking into account any discount or premium on acquisition. Gains or losses arising from derecognising and impairment of such financial asset are recognised in the statement of activities.

Notes to the Financial Statements

For the Year ended December 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

3.9 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.

3.10 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 the terms of employment contracts 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.

3.11 Revenue Recognition

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

3.11.1 Fees and other income

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

3.11.2 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.

3.11.3 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.

3.12 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.

Notes to the Financial Statements

For the Year ended December 31, 2008

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

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.

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.

Notes to the Financial Statements

For the Year ended December 31, 2008

5. FURNITURE AND EQUIPMENT:

	Furniture and Fixtures BD	Computers BD	Capital work in progress BD	Total BD
Cost:				
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
Additions	331,409	9,270	113,753	454,432
Disposals	(3,345)	-	-	(3,345)
Balance as at December 31, 2008	344,248	80,620	115,753	540,621
Accumulated depreciation:				
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
Depreciation expense	10,006	25,562	-	35,568
Eliminated on disposal	(1,844)	-	-	(1,844)
Balance as at December 31, 2008	11,585	49,272	-	60,857
Carrying amount:				
At December 31, 2008	332,663	31,348	115,753	479,764
At December 31, 2007	12,761	47,640	2,000	62,401

6. FINANCIAL ASSET HELD TO MATURITY:

The financial asset held to maturity represents 20% of the capital contribution in Venture Capital Fund, sponsored and managed by Venture Capital Bank B.S.C. (c) amounting to USD 3.09 million. The Fund aims to channel funding in the form of equity investment to nurture and grow promising existing small and medium businesses across multiple industries in Bahrain. The term of the fund is 7 years.

As at the date of the balance sheet, the Venture Capital Fund has not yet started its operations.

Notes to the Financial Statements

For the Year ended December 31, 2008

7. ACCOUNTS RECEIVABLE AND PREPAYMENTS:

	2008 BD	2007 BD
Receivable from LMRA (Note 12)	11,599,142	5,767,432
Prepayments and other receivables	70,792	49,747
	11,669,934	5,817,179

The receivable from the LMRA represents the fees for November and December 2008.

8. CASH AND CASH EQUIVALENTS:

	2008 BD	2007 BD
Cash on hand	500	500
Bank balance	229,672	45,239
Balance in the call account	1,283,292	1,018,200
Murabaha and Wakala	18,076,619	8,410,069
	19,590,083	9,474,008

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

Murabaha and Wakala are placed with local Islamic banks, have maturity periods up to three months from the date of their inception and earn profit at effective rate of 5% (2007: 5.54%) per annum.

9. 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.

Notes to the Financial Statements

For the Year ended December 31, 2008

10. ACCOUNTS PAYABLE AND ACCRUALS:

	2008 BD	2007 BD
Accounts payable	862,206	412,293
Due to the General Organisation for Social Insurance (Note 15)	1,026,312	826,472
Accrued expenses	212,928	11,332
Accruals for employee benefits	222,198	125,353
	2,323,644	1,375,450

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

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 had been transferred during 2007 by EDB to the Fund after the approval of the Ministry of Finance, which represents the unutilised budgetary allocation for meeting the Fund’s projects and operating expenditures.

12. FEES INCOME:

The fees income represents the Fund’s eligibility to an 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
- Renewal and permits of 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:

	2008 BD	2007 BD
Profit income	524,177	279,499
Non-cash donations	-	73,032
Project income	6,526	6,169
	530,703	358,700

Notes to the Financial Statements

For the Year ended December 31, 2008

14. PROJECT EXPENSES:

	2008 BD	2007 BD
Enterprise Development Support Programme	3,338,543	401,420
Health care Training Programme	1,073,000	1,080,000
Career Progression Programme	1,490,317	221,900
Hospitality Management Programme	834,732	122,596
Bahrain Training Institute Funding	783,416	-
Retail Training Programme	237,068	836
Human Resource Certification Programme	180,000	505
Aeronautic Maintenance Engineering	291,000	329,851
Skills Gaps Research Project	386,631	-
Finance and Accounting Programme	174,477	33,420
CISCO Networks Professionals	72,964	33,120
Small and Medium Enterprise Financing Scheme	62,966	4,215
Leadership Development Programme	47,775	505
MENA Business Services Training Programme	191,800	-
Undergraduate Nursing Education	264,000	232,000
Ministry of Social Development Project	-	104,526
BBK Retail Banking Associate Programme	32,000	-
Gulf Air WWCC Programme	29,880	-
Transportation Scheme	21,634	-
Other Projects	46,413	-
	9,558,616	2,564,894

15. UNEMPLOYMENT INSURANCE SUBSCRIPTIONS:

	2008 BD	2007 BD
Unemployment insurance subscriptions	11,579,152	5,595,671

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, 2008 represents the subscription amount due for the month of December 2008 (2007: amount due for the month of December 2007) (Note 10).

Notes to the Financial Statements

For the Year ended December 31, 2008

16. EMPLOYEE SALARIES AND BENEFITS:

	2008 BD	2007 BD
Salaries	938,423	753,561
Other staff allowances	256,099	244,599
Pension Fund contributions	172,199	100,638
Transport allowances	58,283	42,778
Social allowances	41,600	35,158
Life and medical insurance	54,669	37,203
Interest on employees' loans	28,470	-
Telephone and communications	19,445	14,720
	1,569,188	1,228,657

17. RELATED PARTY TRANSACTIONS:

Compensation of key management personnel:

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

	2008 BD	2007 BD
Short term benefits	288,376	253,878
Long term benefits	27,430	27,761
	315,806	281,639

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

Notes to the Financial Statements

For the Year ended December 31, 2008

18. COMMITMENTS AND CONTINGENT LIABILITY:

18.1 Commitment for expenditures:

	2008 BD	2007 BD
Human capital development projects	29,277,111	26,094,743
Private sector support projects	22,877,752	7,317,748
Other projects	1,574,834	2,358,250
	53,729,697	35,770,741
Analysed as:		
Not longer than one year	25,071,817	13,468,830
Longer than one year and not longer than five years	28,657,880	22,301,911
	53,729,697	35,770,741

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

18.2 Contingent liability:

	2008 BD	2007 BD
Financing guarantee	15,000,000	10,000,000

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.

According to the agreement dated May 28, 2008, Bahrain Development Bank, agreed to grant financing facilities to the small and medium size companies supported by the Fund for their related amounts due to the bank under the above scheme. The Fund's liability under this guarantee is limited to BD 5 million and will be reduced by any amount paid under this guarantee.

Notes to the Financial Statements

For the Year ended December 31, 2008

19. FINANCIAL INSTRUMENTS:

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Fund include cash and cash equivalents, receivables and financial asset held to maturity.

Financial liabilities of the Fund include payables, accrued liabilities.

(a) Significant accounting policies

Significant accounting policies and methods adopted, including the criteria for recognition, basis of measurement, and the basis on which income and expenses are recognised in respect of each class of 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:

(b) Categories of financial instruments

The summary of financial assets and liabilities is as follows:

	2008 BD	2007 BD
Financial assets		
Financial asset held to maturity	1,166,745	-
Receivables (including cash and cash equivalents)	31,260,017	15,291,187
Financial liabilities		
Amortised cost	2,323,644	1,375,450

(c) Financial risk management objectives

The finance function of the Fund monitors and manages the financial risks relating to the operations of the Fund through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (consisting mainly of foreign currency risk, profit margin rate risk) as well as credit risk and liquidity risk. The risk associated with financial instruments and the Fund's approaches to managing such risks are described below:

(d) Market risk management

The Fund's activities expose it primarily to the financial risks in foreign currency exchange rates and profit margin rates.

Notes to the Financial Statements

For the Year ended December 31, 2008

19. FINANCIAL INSTRUMENTS (CONTINUED):

(d-1) Profit margin rate risk management

Profit margin risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit share rates.

The Fund's Murabaha and Wakala carry fixed profit margin rates and mature within three months.

The Fund's exposure to profit margin rates on financial assets is detailed in Note 8.

(d-2) 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.

(e) 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 represent 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.

Credit risk on liquid funds is limited because the counterparties are reputable local banks regulated by the Central Bank of Bahrain.

(f) 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, 2008

19. FINANCIAL INSTRUMENTS (CONTINUED):

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.

Financial liabilities:

Less than
3 months
BD

2008

Accounts payables and accruals

2,323,644

2007

Accounts payables and accruals

1,375,450

The following tables detail 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 profit that will be earned on those assets except where the Fund anticipates that the cash flow will occur in a different period.

Financial assets:

Less than
3 months
BD

2008

Accounts receivable

11,669,934

Cash and cash equivalents

19,590,083

31,260,017

2007

Accounts receivable

5,817,179

Cash and cash equivalents

9,474,008

15,291,187

(g) 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 Directors consider the fair value of the Fund's financial instruments approximated their carrying amounts as at the balance sheet date.