

Empower

Towards a productive future

Tamkeen's Chairman on fast-tracking Bahrain towards a promising future

Tamkeeners committed to excellence

A team dedicated to raising the bar on Tamkeen's programmes and processes

Enhancing engagement

Taking Tamkeen's community outreach to the next level

Pioneers in entrepreneurship

Tamkeen named the 'Best Initiative Supporting SMEs in Arab Countries' and wins 'Training and Development of Finance Professionals' award

Realising people's potential

Tamkeen creating opportunities for Bahrainis to develop skills and excel

Moving women forward!

In step with the tremendous strides Bahraini women have made




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Tamkeen

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
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His Royal Highness
Prince Khalifa Bin Salman Al Khalifa

The Prime Minister of the
Kingdom of Bahrain



His Majesty
King Hamad Bin Isa Al Khalifa

The King of the
Kingdom of Bahrain



His Royal Highness
Prince Salman Bin Hamad Al Khalifa

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

Our Vision:

Empowering Bahrainis to prosper and contribute to the national economy

Our Mission:

Empowering Bahrainis according to market requirements and building enterprise capabilities to contribute to expanding the national economy



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Board of Directors

Tamkeen's Board of Directors consists of nine members representing the organisations which play a vital role in the development of the private sector. There are three members who represent the public sector and six who represent the private sector, as follows: From the public sector, Shaikh Mohammed Bin Essa Al Khalifa (Chairman), Dr. Zakaria Hejres and Mr. Abdullellah Ebrahim Al-Qassimi.

**Isa Mohamed
Abdul Rahim**
Board Member

**Shaikh Mohammed
Bin Essa Al Khalifa**
Chairman

**Khalid Ali Rashid
Al-Amin**
Vice Chairman

**Kadhem Isa
Al-Saeed**
Board Member



Private sector representatives are: Mr. Khalid Al-Amin (Vice-Chairman), Mr. Isa Abdulrahim, and Mr. Kadhem Al Saeed from the Bahrain Chamber of Commerce & Industry Board, Sayed Salman Jaffar Al-Mahfoodh and Mr. Mohammed Abdulrahman from the General Federation of Bahrain Trade Unions, and Mr. Abdulkarim Ahmed Bucheery from the Bahrain Association of Banks.

**Mohammed
Abdulrahman
Mohammed**
Board Member

**Abdulkarim
Ahmed Bucheery**
Board Member

**Abdullellah Ebrahim
Al-Qassimi**
Board Member

**Dr. Zakaria
Ahmed Hejres**
Board Member

**Sayed Salman
Jaffar Al-Mahfoodh**
Board Member





Towards a Productive Future



2012 has been a year of many notable and exciting achievements. Here's sharing with you the milestones of that exciting journey...

2012 was another interesting year full of local and global challenges, but at the same time, 2012 was also a year of many notable and exciting achievements.

Bahrain's economy has proven its resilience and is continuing its upward trajectory. Underpinning our success is the strength of the Kingdom of Bahrain, which boasts a wealth of highly educated and qualified local human capital, a liberal and open economic environment, and strong regulatory frameworks – as attested to by leading global rankings.

The country once again maintained its position as the Middle East and North Africa (Mena) region's most economically free country in the annual Index of Economic Freedom published by the Heritage Foundation and the Wall Street Journal. Overall, the Kingdom is ranked 12th out of 177 economies worldwide, and is the only MENA country to rank among the top 20.

These significant advantages have made Bahrain a preferred gateway for companies and organisations looking to gain a foothold in the GCC market - a market which is currently worth well over USD 1 trillion and expected to double that in the next 10 years.

Utilising these unique attributes and competitive advantages to build a strong future for the country, and as part of HM King Hamad Bin Isa Al Khalifa's reform initiatives and the guidance of the Prime Minister HRH Prince Khalifa Bin Salman Al Khalifa along with the support of HRH Crown Prince Salman Bin Hamad Al Khalifa the First Deputy Prime Minister and Chairman of the Economic Development Board, the Kingdom of



His Excellency Shaikh
Mohammed Bin Essa Al Khalifa
Chairman of Tamkeen

Bahrain formulated a comprehensive economic vision to diversify its economy by increasing the contributions of non-oil sectors to create a better future for all Bahrainis.

Tamkeen's success, therefore, is measured by the success of the people of our nation and the Kingdom of Bahrain as a whole. This is the overriding principle which drives and motivates us to fulfil our integral role within Bahrain's Economic Vision.

A Year of Achievements

Working closely together with all our partners and stakeholders has been the key to our ability to overcome challenges and continue to be the private sector's partner to prosperity.

Utilising an integrated dual approach - which targets both the labour market and the private sector - Tamkeen continued to put Bahrain on the fast track towards a productive and promising future.

Because our success is measured by the success of all Bahrainis, we place them at the very heart of the process while laying a foundation for sustainable long-term results.

Therefore, our programmes empower Bahrainis to dream and reach even higher by engendering a culture of

continuous self-improvement, encouraging learning and career progression, promoting entrepreneurship and business development, advancing women's economic empowerment, and enhancing the skills of our youth.

Some of Tamkeen's achievements include:

- + Creating around 180 support programmes targeting Bahrainis and enterprises
- + Re-injecting more than BD 207 million back into the market in the form of support programmes
- + Enhancing the skills and capabilities of nearly 75,000 individuals and enterprises through these programmes

Tamkeen continued to enhance and develop Bahraini talent through a portfolio of more than 100 dedicated support programmes, 24 of which were launched in 2012 alone. Some of the notable achievements of these Human Capital Development initiatives include:

- + Serving more than 56,000 Bahrainis to date, 19,000 of who were served in 2012 alone
- + Serving nearly 3,000 Bahrainis through the Professional Qualifications Scheme, a unique funding scheme launched in 2012 which includes more than a 100 professional certifications
- + Helping employers fill nearly 1,100 recruitment needs with qualified Bahrainis

As for enterprises, Tamkeen launched 47 initiatives to date which offer businesses in Bahrain a wide range of accessible financing and business support services.

Among the highlights achieved by these Private Sector Support programmes are:

- + Serving 18,600 enterprises up to 2012, with more than 30,000 enterprises set to benefit overall
- + Adding BD 50 million to the Enterprise Finance Scheme portfolio, raising the total portfolio to BD 210 million
- + Contributing around BD 14.3 million through the Enterprise Support Fund to serve more than 2,500 distressed enterprises
- + Enabling over 1,000 enterprises to participate in local and international events

We are immensely proud of the achievements of our beneficiaries who have been empowered by Tamkeen's support, which in December 2012 earned us the prestigious Mohammed bin Rashid Award for Young Business Leaders where Tamkeen was named 'Best Initiative Supporting SMEs in Arab Countries', and won the ICAEW's 'Training and Development of Finance Professionals' award for the Middle East Region.

Chairman of Tamkeen receives the 'Mohammed Bin Rashid Award for Young Business Leaders' from the Ruler of Dubai HH Shaikh Mohammed Bin Rashid Al Maktoum



+ Human Capital Development
> 100 programmes
> 56,000 Bahrainis benefited

+ Private Sector Support
> 47 programmes
> 18,600 enterprises benefited

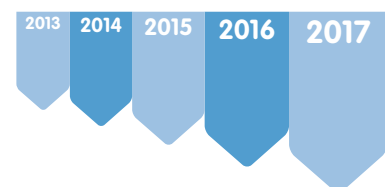
Optimistic Outlook

We at Tamkeen remain firm in our role as the private sector's partner to prosperity. And it is precisely this type of public-private partnership that has been outlined by our leadership as a key factor in raising Bahrain's profile and making it a leading business hub, as well as in creating job opportunities for Bahrainis in burgeoning sectors.

As for the future of investments in Bahrain, estimates by the Unified Arab Economic Report and projections by the International Monetary Fund show that in the next five years, between 2013 and 2017, total investments in Bahrain are expected to reach USD 45 billion.

Given all these facts and indicators, and armed with clear long-term strategic plans, we continue our march forward with full confidence. We pledge to never waver on our duty to support economic development and serve all Bahrainis in order to achieve prosperity for our beloved kingdom.

Bahrain to attract up to \$45 billion investments



Pioneers in Entrepreneurship

Through its programmes and partnerships with public and private organisations, Tamkeen plays an active role in nurturing Bahraini youth, developing their skills, and providing them with opportunities to unleash their potential and shape their professional future. This role stems from Tamkeen's strong belief in supporting this segment of society, which represents the future of the country and constitutes an integral part of its economic development and prosperity as outlined by Bahrain's Economic Vision.

Tamkeen believes in the creative capabilities of the Bahraini youth and recognises the pivotal role that entrepreneurship plays in supporting innovation and creating job opportunities essential to economic development. Hence, Tamkeen created an integrated set of creative solutions to encourage and support entrepreneurship among Bahrainis, right from their early school years, followed by university, until after they have established an enterprise.

These programmes help create a fundamental positive change in the way youth view the labour market by shifting their mentality from that of a job seeker to an entrepreneur. They also open up opportunities for the youth to realise their ambitions, increase their productivity and actively contribute towards the development of the national economy.

For the youth, Tamkeen has created three special programmes to promote the entrepreneurial culture among students at schools and universities and encourage them to pursue this path as an alternative to employment in the public or private sectors. These programmes are presented in a format that speaks to this segment and utilises the modern communication channels this segment prefers.

One such leading initiative is 'Mashroo3i' which is a national competition for young entrepreneurs. The competition, has thus far, showcased dozens of business ideas and uncovered high-calibre Bahraini skills. In fact, some investors and businessmen have expressed interest in adopting some of the promising projects presented by the participants.

Tamkeen also cooperates with stakeholders in launching joint projects that have similar objectives, such as 'The Company' programme, which is offered by inJAz Bahrain. In association with the General Organisation for Youth and Sports, Tamkeen launched other leading initiatives such as 'Youth City 2030' and 'The Mission' programme - a reality show aired on Bahrain TV. All these creative initiatives were enthusiastically received by the youth, and they helped ingrain the right mindset about entrepreneurship.

During the establishment stage of an enterprise, Tamkeen offers several solutions to help entrepreneurs overcome common challenges they face, such as financing, business plan development, feasibility studies, and even finding suitable premises.

Our business is very mobile. We needed to invest to allow for our business to expand. Prior to receiving support from Tamkeen's 'Techania' scheme, we were able to visit only one location at a time. After getting funded to buy several electric generators, welders and other specialised equipment, we are now able to visit multiple locations simultaneously. Our experience with the programme has been very positive and has encouraged us to apply for 'Tasweeq' to enhance and improve our communications and help us reach a wider customer base.



Mohammed Habib Al Aali
Owner, Al Ibda'a Factory for Wrought Iron

One of these programmes is the 'Startup Support Scheme', from which 160 newly established enterprises are set to benefit. Under this programme, Tamkeen offers various sub-schemes to support start-ups during the critical initial stages of the enterprise. The schemes provide entrepreneurs with pre-seed capital, financial aid to conduct feasibility studies, business incubators support, and other essential facilities.

With financing being one of the biggest challenges facing SMEs, Tamkeen launched several programmes to overcome this issue and help new companies secure the capital needed to begin operations. One of these programmes is the 'Enterprise Finance Scheme' which currently has a portfolio value of BD 210 million. This programme was designed to bridge the financing gap faced by SMEs through providing low-interest financing solutions in cooperation with a number of leading banks. More than 5,200 enterprises, including more than 1,000 start-ups, benefited from this programme.

Tamkeen also launched an ICT Finance Scheme, which offers SMEs low-interest financing to help them obtain ICT solutions to build their capabilities



Through Tamkeen's support, we have been able to expand several important aspects of our business. The programme 'Techania' for example, helped us acquire specialised machinery for rubber molding, while 'Tasweeq', helped us create more channels to communicate with our customers by setting up a website and refreshing our brand identity. Also through 'Tarweej' we participated in several business events such as Gulf Bid and Gulf Industry Fair that allowed us to expand our customer base.

Khalid Waleed Al Kooheji

General Manager
Gulf Rubber Factory

and improve their competence. To date, more than 51 enterprises have benefited from this programme.

The key role that Tamkeen played in introducing the concept of microfinance to the market advocated the availability of micro-financing for individuals as well. Tamkeen initiated micro-lending through two programmes: The 'Micro-financing Scheme' in cooperation with the Family Bank, and 'The Princess Sabeeka bint Ebrahim Women Entrepreneurship Micro-Finance Scheme' directed at female entrepreneurs. Through the first programme, Tamkeen facilitated low-interest financing, totaling BD 1 million, to more than 691 enterprises. Through the second, Tamkeen facilitated BD 1 million in low-cost financing to projects established by more than 392 Bahraini women.

Recently, we applied for Tamkeen's Microfinance scheme which is in association with Family Bank. Before officially opening up the business, we needed to be able to stock up a larger volume of items to increase our profit margin. We were pleasantly surprised by the speed and ease of the application process, which allowed us to launch ahead of our planned date.

Ahmed Mohammed Yousif Malalla

Owner
Last Touch Accessories

Key initiatives

Enterprise Development Support Programme

(Techania, Tasweeq, Tarweej, Jawda & Istishara Schemes)

- > Enables enterprises to develop and boost their productivity
- > Over 4,555 enterprises benefited

Enterprise Finance Scheme

- > Helps bridge the financing gap faced by SMEs
- > Over 5,200 enterprises and start-ups benefited

HRH Princess Sabeeka Portfolio for Women Empowerment

- > Provides low-cost micro-financing to female entrepreneurs
- > Over 392 Bahraini women benefited

Women Entrepreneurship Support Scheme

- > Enables women to establish their own businesses in various sectors
- > Around 100 Bahraini women benefited

'Mohasaba' Scheme

- > Develops professional accounting and auditing systems for SMEs
- > Nearly 835 SMEs benefited

Micro-finance Scheme

- > Facilitates low-interest financing to micro businesses
- > Over 691 enterprises benefited

ICT Finance Scheme

- > Offers SMEs low-interest financing to obtain ICT solutions
- > Over 51 enterprises have benefited

Startup Support Scheme

- > Supports startups during the critical initial stages of an enterprise's life
- > 160 newly established enterprises set to benefit

e-Tendering Training Programme

- > Trains SME owners to use the Tender Board's electronic system
- > Around 450 business owners benefited

'Mashroo3i' (Youth Business Plan competition)

- > Has showcased dozens of business ideas and uncovered high-calibre Bahraini skills

Pioneers in Entrepreneurship

continued

Tamkeen also regularly organises events and workshops to reach out to entrepreneurs and encourage them to network or exchange expertise and learn best practices. More than 1,800 entrepreneurs have benefited from these events so far.

Once a business is established and becomes operational, Tamkeen then provides 26 support programmes which form an integrated package of solutions to enable the upcoming enterprises to develop further, enhance their sustainability and achieve local and regional expansion.

Since our establishment in 2000, we used to rely on word-of-mouth as our sole source of attracting new business. But clearly, this was not enough. Through the 'Tasweeq' scheme, we were able to develop an advertising plan targeting specific magazines and newspapers which greatly increased awareness about our shop's services. Today, our business which specialises exclusively in Land Rovers is attracting a lot of new customers.



Salman Saleh

Owner
Al-Faris Auto Centre

One of these is the 'Enterprise Development Support' programme, which includes a number of schemes that enable enterprises and promote their growth. Tamkeen's Enterprise Development Support Programme includes the following schemes:

Istishara: a Business Development Scheme to assist in strategic planning and determining vision and goals of the organisation;

Techania: a Technical Assistance Scheme to provide support for purchase of latest enterprise-related tools and equipment;

Jawda: a Quality Management Systems Scheme to assist in the design and application of world-class quality standards;

Tarweej: a Growth Assistance Scheme to support enterprises' participation in local and international events and exhibitions;

Tasweeq: a Marketing Assistance Scheme to provide support in the design and implementation of effective marketing and communications strategies;

Large Enterprises Support Scheme to support bigger enterprises in acquiring industrial machinery and technology.

More than 4,555 enterprises benefited from these programmes up until the end of 2012.

The perfume business is heavily influenced by perception; the atmosphere, the packaging and the prestige are all elements that can make or break a business in this industry. Through 'Tasweeq' programme, we were able to work with a professional agency that provided high quality branded boxes, bags and a variety of other communications material. We have also benefited from 'Tarweej', which facilitated our participation in relevant events such as the Autumn Fair.

Khalid Isa Abdul'aal

Owner
Alkhalid perfumes

Tamkeen launched other dedicated programmes, such as the Bahraini Farmers and Fishermen Support programmes, which have helped more than 1,100 Bahraini farmers and fishermen upgrade their equipment and develop their small enterprises.



With Tamkeen's Bahraini Farmers Support Programme, I was not only able to expand the number of agricultural fields I operate by 15%, but the funding also allowed me to work on those fields with high-quality farming equipment. This improved the yield beyond what was possible in conventional fields.

Mirza Mahdi Alajaimi
Farmer

Tamkeen has also initiated the 'Mohasaba' scheme, which aims to develop professional accounting and auditing systems within private sector establishments, especially SMEs. The programme also advocates the culture of proper accounting as an important management element to enable business owners make informed strategic decisions, obtain financing, and sign agreements with large organisations. To date, around 835 SMEs have benefited from this programme.

Tamkeen also launched the 'e-Tendering Training programme', through which it trains SME owners to use the Tender

Board's electronic system to enhance their competitiveness and take advantage of new income sources. Around 450 business owners have so far benefited from this programme.

The economic empowerment of women is also high on Tamkeen's agenda. In addition to the regular programmes that are open to everyone, Tamkeen has launched dedicated programmes for women through a strategic partnership with the Supreme Council for Women in Bahrain.

One of these programmes is the 'Women Entrepreneurship Support Scheme', which enabled more than 100 Bahraini women to establish their own businesses in various sectors

including transportation, fashion design, and photography. There is also the aforementioned 'HRH Princess Sabeeka bint Ebrahim Women Entrepreneurship Micro-Finance Scheme' for women entrepreneurs.

Building on this momentum, Tamkeen plans to launch a number of other initiatives in 2013 to further support enterprises. With a BD 43.5 million general budget, more than 4,200 enterprises are expected to benefit from these new programmes in 2013 alone.

This reflects Tamkeen's ongoing commitment to supporting entrepreneurship and businesses as part of its drive to make the private sector the key driver of Bahrain's economic development and build a better tomorrow for all Bahrainis.

2013 forecast

More than 4,200 enterprises are expected to benefit from the newly launched programmes

Realising People's Potential

One of the main areas of focus for Tamkeen concerns the up-skilling of Bahrainis to make them 'Employees of Choice' in the private sector. While Tamkeen is not the only solution to labour market challenges, it nonetheless is a key contributor towards solving many of these challenges by creating opportunities that empower Bahrainis to develop and excel.

To this effect, Tamkeen launched more than 100 Human Capital Development initiatives to date, 24 of them in 2012 alone, to train and develop Bahrainis in a broad range of sectors and fields.

These programmes served 24,551 Bahrainis in 2012, bringing the total number of Human Capital Development beneficiaries to 56,258 - a 43% increase compared to 2011. More than 1000 vacancies were filled with qualified and well-trained Bahrainis in 2012 alone; a major achievement by any account.

The surge in numbers can be attributed to the continued shift towards offering more diverse and market-driven initiatives that effectively act as a 'one-stop-shop' which includes bespoke training that in turn maximises employment opportunities. This model has helped achieve better alignment with real employment needs while at the same time enabling more potential beneficiaries to enrol in the programmes.

Tamkeen's 'Professional Certifications Scheme' is a perfect illustration of this push. Less than one year after its launch in 2012, this programme has successfully enabled nearly 3,000 Bahrainis to select from over 100 world-class accredited certifications to gain a competitive edge in their respective fields.

Beneficiaries of this programme represent a wide cross-section of sectors, including Banking & Financial Services, Construction, Logistics & Transport, Manufacturing, and many more.

I always wanted to gain experience with the four biggest accounting firms here. That's when I learnt about Tamkeen providing support for a professional certification called CAT (Certified Accounting Technician) with training being conducted at Ernst & Young. Since becoming certified, I am pursuing a career within my chosen field, and am currently studying for the next level of certification, to become a member of ACCA (Association of Chartered Certified Accountants), which is also supported by Tamkeen.

Hassan Jaffar Taqi

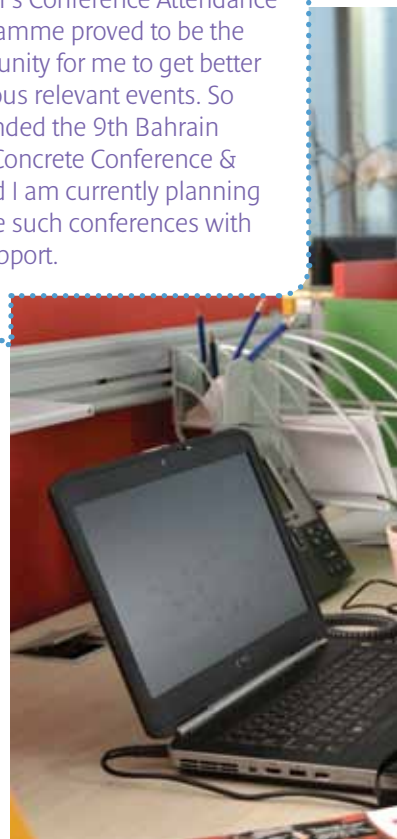
Accountant
Al Hasanain Contracting

The push towards a more market-driven model is also clearly evident in the Career Progression Programme. The programme, which offers 12,000 training opportunities for low and mid-range incomes to boost their wages and ensure sustainable professional development, saw a significant uptick in the beneficiary enrolment over the course of the year and successfully reached its target for the first two phases.

In addition, the Leadership and Management Skills project was officially inaugurated with the launch of 8 programmes. These programmes provide SMEs and Bahrainis employed in the private sector with management and leadership training to promote best practices and build business acumen which further enables them to enhance their business and people. These programmes, which are offered in both English and Arabic, have been progressing well with 2,020 Bahrainis enrolled so far, which is half the total number of targeted beneficiaries.

As a Civil Engineer, I am always looking for opportunities to expand my knowledge and experience within the field. Tamkeen's Conference Attendance Support programme proved to be the perfect opportunity for me to get better access to various relevant events. So far I have attended the 9th Bahrain International Concrete Conference & Exhibition, and I am currently planning to attend more such conferences with Tamkeen's support.

- > More than 100 Human Capital Development initiatives launched to date
- > 24 new initiatives launched in 2012 alone
- > 24,551 Bahrainis benefited in 2012



The drive to further diversify and expand our initiatives was also evident in our youth and work-readiness programmes. One of the flagship initiatives launched in this regard was the ‘Mashroo3i’ Youth Business Plan Competition, a national initiative aimed at showcasing the nation’s next generation of entrepreneurs. This initiative, which aimed at promoting the entrepreneurial culture amongst Bahrainis, particularly the youth, received hundreds of creative business ideas which demonstrates the wealth of talent that exists in Bahrain.

Other youth programmes that were further developed included enhancing the ‘Discover Life @ Work’ magazine and re-launching it with a fresh new look and added content. The re-designed magazine now offers Bahrain’s youth greater insight and a more in-depth perspective on how to excel in their professional careers, whether as employees or business owners.

Also, the ongoing partnerships with our numerous strategic partners continued to yield excellent results and equip thousands of young Bahrainis with the necessary skills to compete and thrive in the workplace. Examples include the General Organisation for Youth and



Sports (Youth City 2030, ‘Al-Mohema’ reality TV series), Bahrain Women Union (Women Technology Enablement), and inJaz Bahrain (‘The Company’) and many others.

Beyond 2012, we are looking to build on the momentum of the Professional Certifications Scheme, Career Progression Programme, and other flagship strategic initiatives like Conference Attendance Support programme that enhance our flexibility and create more open, diverse and sustainable solutions.

We aim to continue our efforts towards even more employment-driven initiatives. Among the proposals is the launch of a special scheme that provides training services for five basic employability skills. It is envisioned

Achieved
Over 1000 vacancies were filled with qualified and well-trained Bahrainis in 2012.

that this scheme will further boost the ambition of making Bahrainis the ‘Employees of Choice’.

To further streamline these initiatives and provide a better level of service to the ever-increasing number of beneficiaries, many operations are set to be in-sourced. This will enable Tamkeen to be more responsive to customer needs and exercise better control over the programmes.

As with all our endeavours, our ultimate goal remains to enable every individual to contribute to the kingdom’s growth and invest in anyone who is willing to take advantage of the opportunities offered to achieve his or her potential.



Sarah Al Khorami
Civil Engineer
Nass Group



Moving women forward

Ever since its inception, Tamkeen has been a strong supporter of the economic empowerment of women as part of its mission to make the private sector the key driver of Bahrain's economic development.

Bahraini women are a key focus for Tamkeen and the National Economic Strategy as they represent a key segment of the community; one that is willing and able to perform and contribute at the highest possible level in all sectors and fields. Tamkeen's ongoing efforts are directed at developing effective strategies to empower women economically and enable them to contribute to Bahrain's future.

Tamkeen's commitment is exemplified by its Women Empowerment team that conducted focus groups to review Tamkeen's programmes that address women in Business.

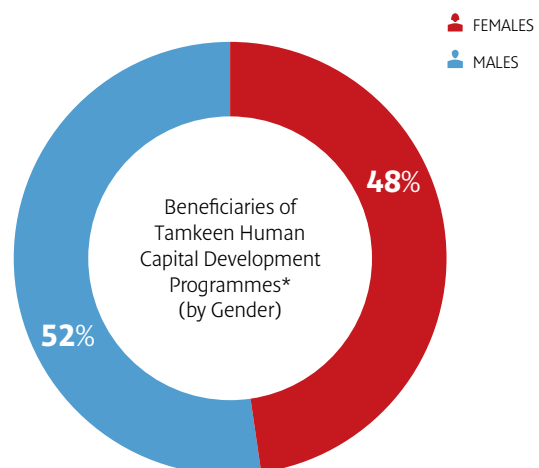
These efforts further boost the tremendous strides women in Bahrain have made over the past few years. According to an independent study commissioned in 2011, Bahrain has climbed up the global ranking

in key indicators related to women empowerment. Most notably, the study showed that Bahrain is leading the GCC when it comes to gender wage equity, and that Bahraini women in the private sector have entered into a wide range of fields, including Wholesale and Retail, Financial Services, Manufacturing, Logistics, Real Estate, and Construction, to name a few.

Tamkeen has undoubtedly played a big role in this upward trend, as nearly half of the beneficiaries from its training and financing programmes are women.

These include the regular programmes which are open to everyone, as well as dedicated programmes which are designed to meet the unique requirements of women.

Enabling the empowerment of women through these collective programmes has not only helped them advance their professional careers and businesses, but also resulted in a direct positive shift in the way Bahraini women perceive the workplace.

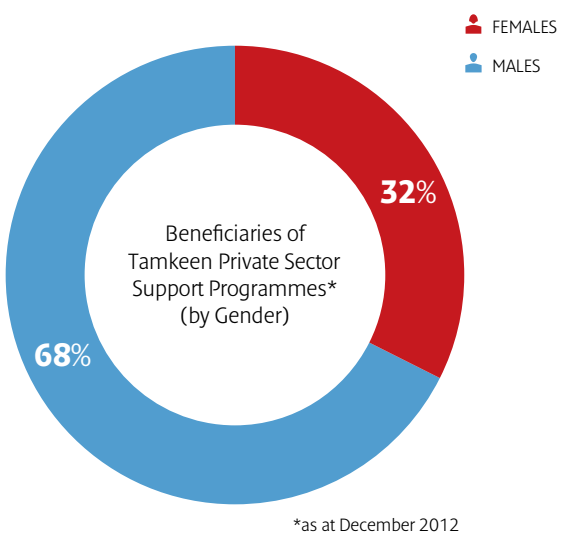


*as at December 2012



Prior to receiving support from Tamkeen’s Microfinance scheme, my Tailoring business was struggling to stay afloat. Thankfully, the business is growing again and I foresee it generating a healthy amount of profit very soon. The application procedure for the programme was also very straightforward and easy. Even after my loan was approved, I continued to receive advisory support from Family Bank and Tamkeen which I found extremely valuable.

Hanan Faisal Janahi
 Owner
 White Closet Tailoring



*as at December 2012

Among these programmes is Tamkeen’s flagship Enterprise Development Support Programme. Around one-third of the 4,800 beneficiaries of this programme, which assists the development and growth of Bahraini small and medium enterprises (SMEs) to become more productive and competitive, are female business owners.



**Moving
women forward**
continued



Nearly half of the beneficiaries from Tamkeen's training and financing programmes are women.



On the training side, there is the Women Technology Enablement initiative, which offers in-class or e-Learning training opportunities for development of basic ICT literacy skills as well as interpersonal skills, thus opening up the doors for them to find suitable employment prospects. Till date, over 1,069 women have benefited from this programme which is conducted in partnership with Bahrain Women Union and Microsoft.

In addition, Tamkeen has an ongoing collaboration with the Supreme Council for Women to create, support, and implement programmes specifically tailored for women. One of these programmes is the Women Entrepreneurship Support programme - a major initiative that aims to enhance women's productivity and their working environment.

Over 100 women have benefited from this programme, which provides them with grants to establish micro-projects in the fields of transportation, fashion design, and photography to supplement their income. The programmes also provide special training to enhance their competencies to help them

become more self-reliant, develop an entrepreneurial spirit, and further advance their careers.

The partnership also resulted in the creation of the 'HRH Princess Sabeeka bint Ebrahim Al Khalifa Women Entrepreneurship Micro-Finance Scheme Portfolio' - another initiative which encourages women to establish and grow their own business. Through the scheme, women can access low-cost micro-loans through Ebdaa Bank whereby Tamkeen covers 50% of the profit rate. By having access to this much-needed capital, over 400 women were able to supplement their incomes through their micro-businesses.

It is also important to note that this programme was instrumental in introducing the concept of micro-financing to Bahrain, helping to further bridge the SME financing gap which had made it difficult for such enterprises to grow and expand.

Another programme designed to encourage innovation and entrepreneurship among aspiring business women is the Business Incubator Scheme offered in partnership with Bahrain Development

Bank. Through the programme, 40 units have been allocated to businesswomen for a maximum period of two years, including full resources and services to sustain their business in the critical initial stages.

Tamkeen's milestones and achievements in the area of empowering women have been recognised with them winning the HRH Princess Sabeeka Award for Women's Empowerment in 2009; a testament of Tamkeen's valued contribution to the development of the Bahraini women and their empowerment.

The future plans laid out by Tamkeen in this area include expanding the Women Entrepreneurship Support programme and launching new tailored programmes to promote entrepreneurship amongst women, as well as furthering the empowerment of female employees and job seekers.

Tamkeen has an ongoing collaboration with the Supreme Council for Women to create, support, and implement programmes specifically tailored for women.



Ahlam Janahi

President
Bahrain Businesswomen Society

As the leading businesswomen's organisation in Bahrain for the past 12 years, we highly appreciate Tamkeen's ongoing efforts to actively engage with us. As part of our collaboration, Tamkeen delivered a presentation in June 2012 detailing the latest training and business support programmes which provide accessible solutions to the business community at large. It is truly refreshing to have an organisation which listens to customer suggestions and responds to them in such an open and transparent manner.

Enhancing Engagement

Taking Tamkeen's customer outreach to the next level was one of the primary focuses of 2012. The impetus behind this focus stemmed from the sheer breadth and number of Tamkeen's programmes, coupled with the surge in number of beneficiaries served and Tamkeen's commitment to more direct and transparent engagement.



Reaching out

- > 90,000+ contacts made
 - 3,000 through road-shows
 - 2,000 through e-Mails, letters, voicemails etc.
- > 79,000+ tele-inquiries processed
- > 6,000 walk-in customers attended to

We have a long-standing relationship with Tamkeen that goes back to when we were first established in November 2010, both as strategic partners and beneficiaries. Being a business angels organisation, we share with Tamkeen the drive to promote entrepreneurship and innovation in Bahrain. We actively encourage the companies we invest in to take advantage of Tamkeen's numerous private sector support programmes such as the Enterprise Development Support Programme among others, to boost their productivity and growth. We ourselves became beneficiaries of Tamkeen through 'Mohasaba' one year ago.

These trends required a dedicated team solely focused on serving as the interface between Tamkeen and the public, and thus the Customer Engagement and Support unit was formed in mid-2011. Working in parallel with the Marketing Communications team, this unit initiates targeted community outreach activities to help improve the understanding of Tamkeen's various programmes among the people.

This team engages in valuable two-way communication between Tamkeen and its stakeholders; on the one hand disseminating information about Tamkeen's programmes, while on the other acting as a depository for the feedback, collecting it and funneling it through to the relevant units and departments to facilitate process enhancement and new project development opportunities.

The sharp increase in the number of programmes launched by Tamkeen, which reached more than 70 new



Hassan Haider

Chief Executive Officer
Tenmou





Presentation to representatives of Muharraq Governorate

Tamkeen approached and offered us an opportunity to have their customer engagement team speak at our Majlis located in Hamad Town. The experience was very positive and offered great insight into the various programmes provided by Tamkeen and how one could benefit from them. The Majlis attendees were very satisfied and recommended that the team visit other Majlises as well and share this information.

Mohammed Al-Dhaen

Al-Dhaen Majlis, Hamad Town



programmes in 2012 alone, required a more proactive and direct means of engagement with the target audiences and stakeholders to clarify misconceptions and drive enrolment in the new programmes.

Among the Customer Engagement and Support team's initiatives were one-on-one community outreach activities with relevant professional and social organisations from the public and private sectors, including ministries, parliamentary committees, business and youth societies, community centres, social services centres, special interest groups, and majlises.

The relationship between Tamkeen and Al Shakoor Youth Centre began with a visit to the village by Tamkeen's Customer Engagement Team. I was appointed to inform the youth in our village about Tamkeen's programmes and how they can benefit from them. I went around explaining about Tamkeen's programmes to individual young men and women that were struggling in their entrepreneurial and career endeavours. The moment they discovered the plethora of programmes available for them to benefit from, they were eager to contact Tamkeen and inquire further.

Mansoor Al-Asfoor

Al Shakoor Youth Centre

These one-on-one initiatives and Tamkeen's regular and constant presence at functions and events in Bahrain, not only further entrenched its name in the public consciousness as being synonymous with development and transparency, but also generated dozens of potential joint initiatives and valuable suggestions for further improvement.

The figures from the year reflect the team's extraordinary efforts. In just one year, the team successfully made over 90,000 contacts with clients in 2012 alone through various communication channels. The team processed inquiries and requests from more than 79,000 telephone calls and 6,000 walk-in customers. In addition, our roadshows produced a further 3,000 contacts, and a further 2,000 more contacts through other means such as e-Mails, meetings, letters and voicemails.

As part of Tamkeen's plan to improve responsiveness, the team addressed issues faced by the people and had each one logged and forwarded to the relevant department for resolution as per the standard processes developed by the unit.

Service development was a prime focus for the Customer Engagement and Support Unit whereby extensive efforts were made to create formalised procedures. Special communications collateral and manuals were also developed so the team is always

equipped with the latest updates on each of Tamkeen's programmes. Regular briefings are also held to keep the team thoroughly informed and up-to-date so they can provide accurate and dependable information to our customers.

Through these activities, the unit provides guidance and advice to potential beneficiaries about the relevant programmes, further enhancing Tamkeen's customer service and maximising the effectiveness of the support programmes provided.

Building on the momentum, we are planning to open a dedicated Customer Services Centre in Manama in 2013. This ambitious project will contribute considerably to our drive in building awareness and bringing even more clarity to Tamkeen's multitude of support programmes.

We remain committed to continuing to identify opportunities to upgrade our services and support, while at the same time engaging with individuals, enterprises, and communities all across Bahrain to identify and address their needs.

Tamkeeners

Committed to Excellence

As a service organisation, listening to and responding to the market is at the very core of Tamkeen's work.

If there is one word to describe 2012, then that word would be “challenging”. Changing market dynamics amidst increasingly competitive conditions have changed the landscape dramatically. Challenges, however, bring with them opportunities and provide a space to reflect and assess one's current position relative to where one wants to go.

As a service organisation, listening to and responding to the market is at the very core of Tamkeen's work. As such, our approach has become increasingly integrated and flexible over the years. Every year brings with it a whole set of new experiences, and we as an organisation have learnt to maximise our resources, and invest a lot of time and effort in proactively identifying the Kingdom's market needs so as to be able to connect Bahrainis with skills-training and jobs, and assist businesses to grow and expand.

We are immensely proud of how well we fared in the face of adverse market conditions and ever-increasing demands from our customers. We managed to grow by leaps and bounds, whether it was in terms of the number of beneficiaries we served, or the number of programmes launched, or the continuous improvement in our support programmes.

Fueling this commitment to excellence is our unrelenting drive to enable all Bahrainis to achieve their potential and contribute towards building Bahrain's economic future on a strong sustainable footing.



Continuing the momentum

Looking ahead, Tamkeen will carry on its enabling role to both individuals and enterprises through its existing programmes and initiatives, and will continue to closely engage with its stakeholders to identify new support opportunities.

As per the Operational Plan, Tamkeen plans to invest BD 87 million for on-going and new projects and programmes to serve more than 33,000 Bahrainis and private sector enterprises in 2013 alone.

With more than 150,000 Bahrainis and enterprises set to benefit, Tamkeen's impact continues to touch all sectors and segments of society in its role as the leading enabler for business in Bahrain.



**Mahmood Hashem
Al-Kooheji**
Chief Executive



Tamkeeners

Committed to Excellence
Continued

Tamkeen's Private Sector Support Unit had a demanding year in 2012. Despite the challenging market conditions and a huge surge in demand for its programmes, Tamkeen was more than up to the challenge and launched a large number of support programmes to help even more private sector enterprises in Bahrain to develop and become more sustainable.

Around BD 29.5 million was re-invested into the private sector support programmes in 2012 alone. The year also witnessed the launch of more than 47 new private sector support initiatives which are set to benefit nearly 30,000 enterprises. These programmes included more accessible business development services and financing solutions.



2012

- > **47** initiatives launched
- > **30,000** additional enterprises to benefit
- > **BD 50 million** more for enterprise support

Tamkeen is continuously looking for ways to improve and refine our services to meet the needs of our stakeholders. Based on extensive consultative sessions held in 2011, we re-visited the objectives of all the programmes in order to improve the processes involved.

One of the main enhancements was on Tamkeen's Enterprise Development Support Programme to enable more enterprises to benefit. Many eligibility criteria were modified to cater to dynamic market conditions which resulted in a sharp rise in the number of enterprises served through this programme.

In addition, within Tamkeen's Enterprise Development Programme, we introduced the Large Enterprises Support Scheme, which offers specialised support to large enterprises with an annual turnover of over BD 5 million, thus further enhancing the flexibility of our programmes.

Tamkeen also continued to lead the way in supporting the private sector in the face of market challenges. Our Enterprise Support Fund was expanded to serve more SMEs in 2012. Moreover, in partnership with 8 renowned banks, we added BD 50 million to the Enterprise Financing Scheme, increasing its portfolio value to BD 210 million. This programme has served around 5,000 enterprises to date, more than 1,000 of which are business start-ups.

Private Sector Support



Mohammed Bucheery
Private Sector Support





Amal Ishaq Kooheji
Human Capital Development

Human Capital Development



2012

- > **24** new initiatives launched
- > **24,551** Bahrainis benefited
- > **43%** increase in beneficiaries

2012 was a busy year. Tamkeen launched more than 24 new human capital development initiatives, in line with our drive to enhance the skills and capabilities of Bahrainis and make them the 'Employees of Choice'.

Over 24,551 Bahrainis benefited from our programmes in 2012 alone, increasing the total number of beneficiaries served through these initiatives to more than 56,000 - a 43% increase compared to 2011.

To enhance the effectiveness of our programmes, we turned to more flexible models with regards to our training solutions to cater to a diverse audience and enhance their sustainability. Tamkeen's 'Professional Certifications Scheme' which was launched in 2012 is a prime example of this, as compared to the earlier programmes which had a more distinct range of support programmes catering to specific sectors and professions.

We also continued our shift to more market-driven initiatives to enhance the employment opportunities for our beneficiaries. This shift enabled us to fill more than 1,000 vacancies with qualified and well-trained Bahrainis across a wide range of sectors and fields.

Tamkeen also successfully forged and expanded its relationships with many stakeholders who share the same objectives. These partnerships, with organisations such as the Supreme Council for Women, General Organisation for Youth and Sports, Ministry of Education, inJAZ Bahrain and others, enriched our programmes and produced a large number of successful joint projects which have benefited thousands of Bahrainis to date.



Yousif Ali
Customer Engagement and Support

Customer Engagement and Support

One-on-one community outreach initiatives boosted interest.

Tamkeen's Customer Engagement and Support Unit serves as the central point of contact for all of our customers. It is the main channel for feedback from the public, after which it is directed to the relevant units and departments within Tamkeen for the sake of continuous improvement and the creation of further support initiatives.

We realised that while the vast majority of the public already knew about Tamkeen, more concerted efforts should be made in order to improve awareness of Tamkeen's support schemes and thus enhance programme penetration.

Through proactive outreach activities and in-house service resources, we were able to successfully and significantly boost the understanding among the public, which in turn boosted interest and enrolment significantly compared to past years.

These activities included one-on-one and group community outreach initiatives, resulting in over 90,000 contacts in 2012 alone, which yielded dozens of potential joint initiatives and valuable suggestions for further improvement. This also served to increase the number of beneficiaries served compared to the previous years.

The outreach included various engagement activities involving a large number of business and professional societies, social development and

community centres, and even majlis, as well as attending a large number of Tamkeen-supported events to directly engage with the public.

We also developed interactive processes so our team is always equipped with the latest information to successfully guide potential beneficiaries to the programmes most suitable for them. This ensures they enrol in the programme they actually need, thus further enhancing the level of customer services provided.



2012
> more than **220** events conducted across 5 governorates
> **90,000** contacts made

Nov 2008 – Jan 2009



May 2009 – Jun 2009



Oct 2009 – Dec 2009



Jul 2012 onwards



Dec 2010 – Mar 2011



Examples of Tamkeen's marketing and communication efforts over the years

Follow TamkeenBahrain



Instagram



LinkedIn

Marketing Communications

Tamkeen launched a major integrated communications campaign aimed at further clarifying to the public Tamkeen's role and programmes. Under the theme 'We have achieved', the campaign featured actual beneficiaries - called 'Tamkeen Ambassadors' - sharing their success stories on how they benefited from Tamkeen's support. The campaign, which was launched in the second half of 2012, served as the lead-up to the first Tamkeen Expo.

Furthermore, the communication activities also saw a major shift towards utilising digital and social media in addition to traditional channels and media. The content on Tamkeen's YouTube channel was enriched with video testimonials, and the Facebook and Twitter channels featured a strategic campaign of regular updates showcasing Tamkeen's beneficiaries and milestones.



As far as traditional media is concerned, more than 1,700 articles, press cuttings, and mentions in print media, and an average of 141 mentions per month were seen, with the positive coverage being at 95%.

Tamkeen's entries, for the Mohammed bin Rashid Award for Young Business Leaders and the ICAEW's Middle East Accountancy & Finance Excellence Awards both, won top honours with Tamkeen being named the 'Best Initiative Supporting SMEs in Arab Countries' and winning the 'Training and Development of Finance Professionals' award, respectively. Both these recognitions were key instruments in bolstering Tamkeen's brand equity and elevating its prominence at a regional level.

We look forward to continuing our drive to build awareness and bring more clarity to Tamkeen's multitude of support programmes and how the organisation as a whole fits within the overall Economic Vision.



Hala Sulaiman
Marketing Communications Department

Planning and Business Development

2012 was marked by changing dynamics in Bahrain's economy which extended to all sectors of the economy.

As the unit responsible for Tamkeen's overall corporate strategy, these challenges made it imperative for us to re-think our strategic objectives and modify them to suit new market realities and priorities in order to ensure our programmes stay in line with market needs.

Tamkeen's data gathering has developed over time and we now have access to new statistics and information that were not previously available anywhere in Bahrain.

These include studies commissioned by us as well as joint studies conducted in partnership with some of our key stakeholders and strategic partners to

address labour and market challenges and stay in lockstep with the objectives of Bahrain's Economic Vision.

During the year, we carried out a series of comprehensive impact studies on a number of our existing flagship support programmes, targeting Bahrainis and enterprises, to measure the overall effectiveness of the beneficiaries.

In addition, we commissioned various feasibility studies on proposed programmes and activities.

We will continue to review Tamkeen's Corporate Strategy and its strategic objectives by evaluating the impact of the existing projects and activities, as well as initiating a number of key sector-based cluster strategies to enhance our outreach and programme portfolio for further project development.



Dr. Nasser Qaedi
Planning and Business Development

2012

- > Conducted comprehensive impact studies
- > Commissioned various feasibility studies





Nada Jamal Khonji
Project Management Office

Project Management Office

As part of Tamkeen's efforts towards continuous development, the Project Management Office sought to improve and enhance project management practices within unified set standards. This included further developing the project manual and initiating project risk management framework.

As part of Tamkeen's commitment to excellence and continuous improvement, we also completed a major exercise in which we compiled a database of all the learnings and lessons accumulated from the more than 180 Tamkeen programmes launched till date, as well as tracking changes and

identifying risks. Moving forward, this valuable database will enable us to develop best practices and facilitate knowledge sharing between the various units.

Tamkeen's commitment to excellence was also behind its involvement in the Bahrain Centre for Excellence, an initiative which involved senior staff undergoing a series of workshops focusing on developing world-class best practices and standards in all functions, as well as developing sustainable and competitive performance indicators and benchmarks.

Other achievements during the year included developing a concept for our Portfolio Management Framework, as well as updating our Corporate Performance Management System; all of which will enable us to further align our support initiatives while maintaining high standards of excellence across the board which will ultimately benefit our customers.

2012

- > Compiled a database of all the learnings and lessons so far
- > Commissioned the development of Project Risk Management Framework
- > Corporate performance management system updated



Finance and Support



Tamkeen has always focused on maximising available resources and achieving sustainable results. This single-minded focus is the measuring stick by which we judge how we re-inject the capital back into the private sector in the form of support programmes.

This is important for many reasons. Firstly, Tamkeen is all about affecting positive long-term change in the private sector to make it the key driver of economic development. As an organisation funded by the private sector for the private sector, our beneficiaries rely on us to give them effective support that empowers them to address the challenges they face. The second reason is that Tamkeen's sole source of revenue comes from its share of the Labour Market Regulatory Authority, so any changes to this mechanism impacts every aspect of our operation.

Two important changes to our cash inflow mechanism occurred. A freeze on the monthly fee levied against expatriate labour was instated on April 1, 2011 – which is still in effect as of the time of this report – which decreased our revenues by approximately 50% from its 2010 levels. Secondly, a Royal Decree was issued that changed Tamkeen's share of the labour fees from 80% to 50%. This change also served to decrease Tamkeen's revenues by an additional 20%.

That being the case, Tamkeen's focus on resource maximisation has never been more important and critical than at this particular juncture. Given the urgent need for more capital investment into the economy in the light of fluctuating economic conditions and exponential surge in demand for our programmes, it was paramount that Tamkeen rise to the challenges.

Tamkeen intensified efforts and focus to serve as many beneficiaries as possible, as evidenced by the fact that we re-injected twice as much capital into the private sector in 2012 compared to 2011, and launched a record number of programmes to serve a record number of beneficiaries.

Despite receiving only BD 29 million in revenues, which is 34% less than 2011 due to the aforementioned factors, project expenditures amounted to BD 46 million in 2012 – 87% more than 2011. Of this total, Human Capital Development projects' expenses totalled just over BD 16.5 million, or 36% of total project expenses, while over 29.5 million Private Sector Support projects made up 64% of total project expenses in 2012.

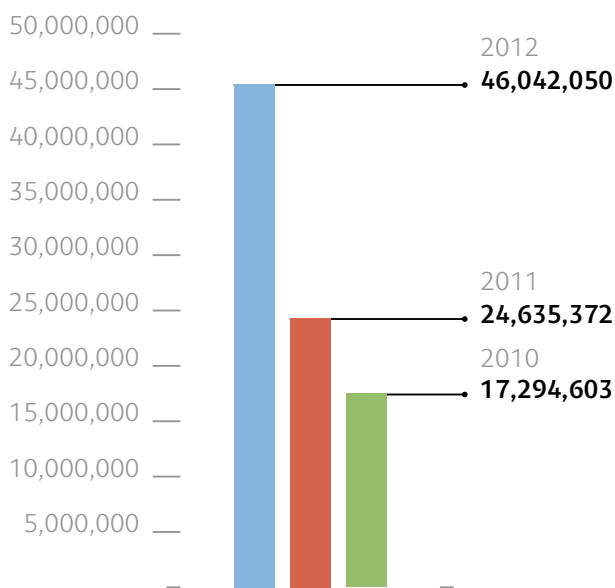
It is also important to note that despite the budget deficit, Tamkeen continues to pay the unemployment insurance subscriptions on behalf of the private sector employers. In 2012, this sum totalled BD 15.5 million, accounting for 53% of Tamkeen's revenues (BD 29 million) and 25% of the total expenses (BD 62.8 million) in 2012.

Despite the constraints, Tamkeen remains committed as ever to serve the private sector in the best way we can, and will continue to allocate our resources in a way that further strengthens the pillars of our Kingdom's economic growth and development.

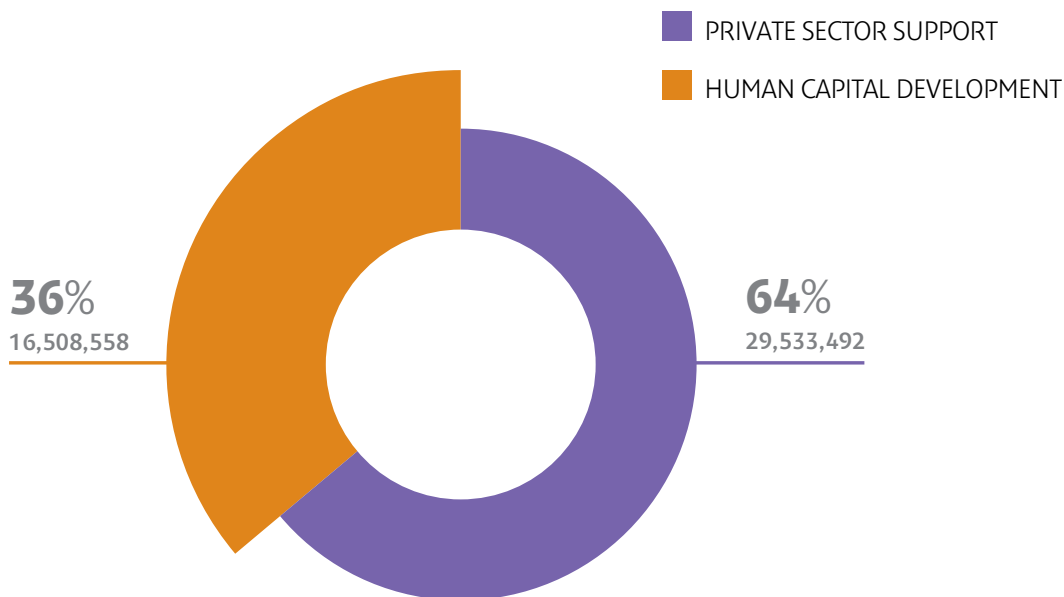
Tamkeen in Numbers

Project expenses

Project expenses have increased steadily over the years, reaching BD 46 million in 2012; marking an increase of 87% from the previous year.



Human Capital Initiatives made up 36% of total project expenses, while Private Sector Support projects comprised 64% of total project expenses.



Tamkeen in Numbers

Number of beneficiaries of Human Capital Development programmes up to end of 2012

Programme	Total Number of Beneficiaries
Work Readiness and Corporate Culture	20,140
Fund Training and Development	26,146
Provide Management and Leadership Training	2,020
Development Workforce Intermediary	6,810
Support Entrepreneurship in Educational Institutions	1,142
Total	56,258

Number of beneficiaries of Private Sector Support programmes up to end of 2012

Programme	Total Number of Beneficiaries
Enterprise Development Support	5,123
Finance Scheme	5,175
Pre-Seed Capital	12
Feasibility Study	5
ICT Finance Scheme	60
Tailoring & Design Scheme	98
Tawseel Scheme (Transportation)	40
Photography Scheme	15
Mohasaba Scheme	1,038
Enterprise Support Fund	2,500
Farmers Scheme	500
Fishermen Scheme	905
Business Incubator Scheme	25
Business Evaluation Model	70
Encourage and Support Investments	34
Entrepreneurship Networking Events	2,414
Business Diversification Scheme	4
e-Tendering Scheme	550
Total	18,568

..... Tamkeen

Financial

..... Report

Financial Statements with Independent Auditor's Report

For the year ended December 31, 2012

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Board of Directors' Report

The Directors present their annual report and financial statements for the year ended December 31, 2012.

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.

Review of Business

The results for the year are set out on page 37 of these financial statements.

Changes in Directors

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

Changes in Auditor

In accordance with Article 19 of the Law number (57) for the year 2006, the Fund has to change the auditor of the Fund for the year ending December 31, 2013.

On behalf of the Board

Mohammed Bin Essa Al Khalifa
Chairman

Independent Auditor's Report

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, 2012, and the related statements of activities, cash flows and changes in available funds for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

The Fund’s management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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 judgment, 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 on the financial statements.

Independent Auditor's Report continued

Opinion

In our opinion, the financial statements present fairly, in all material respects, financial position of Labour Fund as of December 31, 2012 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

Furthermore, in our opinion, proper books of account have been kept by the Fund, and the financial statements, together with the information given in the board of directors' report agree with the books of account. We have obtained the information and explanations that we required for the purpose of our audit and according to the information available to us, there were no violations of the Law number 57 issued on August 12, 2006 to establish the Fund have occurred during the year that might have had a material effect on the activities of the Fund or on its financial position.

Rabbie Mukhaimer
Rödl Middle East
International Accountants

28 March 2013
Manama - Kingdom of Bahrain

Statement of Financial Position

as at December 31, 2012
BAHRAINI DINAR

	Note	2012	2011
ASSETS			
Non-current assets			
Furniture and equipment	4	359,815	457,743
Current assets			
Receivables and other debit balances	5	5,544,517	18,559,697
Term deposits		-	5,000,000
Cash and cash equivalents	6	67,066,854	83,306,232
		72,611,371	106,865,929
Total assets		72,971,186	107,323,672
AVAILABLE FUNDS AND LIABILITIES			
Available funds			
General reserve	7	10,552,274	10,552,274
Funds available for projects		57,882,052	94,970,479
		68,434,326	105,522,753
Current liabilities			
Payables and other credit balances	8	4,536,860	1,800,919
Total available funds and liabilities		72,971,186	107,323,672
Funds available for projects		57,882,052	94,970,479
Less: funds committed for projects expenditures	15.1	(161,150,132)	(117,404,273)
Excess of commitments over funds available for projects		(103,268,080)	(22,433,794)

These financial statements were approved by the Directors on 28 March 2013 and signed on their behalf by:

Mohammed Bin Essa Al Khalifa
Chairman

Mahmood Hashem Al-Kooheji
Chief Executive

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

Statement of Activities

for the year ended December 31, 2012
BAHRAINI DINAR

	Note	2012	2011
REVENUE			
Fees income	9	29,405,694	44,142,314
Other income	10	1,771,823	1,991,353
Total revenue		31,177,517	46,133,667
EXPENDITURES			
Projects expenses	11	46,042,050	24,635,372
Unemployment insurance subscriptions	12	15,583,450	14,726,782
Employees' salaries and benefits	13	3,012,824	2,643,550
General and administrative expenses		2,566,658	1,170,759
Advertising and marketing expenses		751,489	383,617
Depreciation		217,226	184,513
Training expenses		92,247	106,802
Total expenditures		68,265,944	43,851,395
(Deficit of income under)/excess of income over expenditures for the year transferred to funds available for projects		(37,088,427)	2,282,272

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

Statement of Cash Flows

for the year ended December 31, 2012
BAHRAINI DINAR

	2012	2011
OPERATING ACTIVITIES		
(Deficit of income under)/excess of income over expenditures	(37,088,427)	2,282,272
ADJUSTMENTS:		
Depreciation	217,226	184,513
Profit income	(1,759,243)	(1,978,158)
Loss on sale of furniture and equipment	4,618	-
Write-off of furniture and equipment	78,768	-
Adjusted activities results before the effect of changes in working capital items	(38,547,058)	488,627
Receivables and other debit balances	13,101,768	(4,892,486)
Payables and other credit balances	2,735,941	(1,691,814)
Net cash used in operating activities	(22,709,349)	(6,095,673)
INVESTING ACTIVITIES		
Purchase of furniture and equipment	(204,009)	(180,639)
Proceeds from sale of furniture and equipment	1,325	-
Term deposits	5,000,000	(5,000,000)
Profit income received	1,672,655	1,743,264
Net cash generated from/(used in) investing activities	6,469,971	(3,437,375)
Net decrease in cash and cash equivalents	(16,239,378)	(9,533,048)
Cash and cash equivalents at beginning of the year	83,306,232	92,839,280
Cash and cash equivalents at end of the year	67,066,854	83,306,232
Cash and cash equivalents consist of:		
Cash on hand and at banks	67,066,854	83,306,232

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

Statement of Changes in Available Funds

for the year ended December 31, 2012
BAHRAINI DINAR

	General reserve	Funds available for projects	Total
Balance at January 1, 2011	10,324,047	92,916,434	103,240,481
Excess of income over expenditures for the year	-	2,282,272	2,282,272
Transfer to general reserve	228,227	(228,227)	-
Balance at December 31, 2011	10,552,274	94,970,479	105,522,753
Balance at January 1, 2012	10,552,274	94,970,479	105,522,753
Deficit of income under expenditures for the year	-	(37,088,427)	(37,088,427)
Balance at December 31, 2012	10,552,274	57,882,052	68,434,326

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

Notes to the Financial Statements

for the year ended December 31, 2012
BAHRAINI DINAR

1- FORMATION AND ACTIVITIES

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

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

The 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 INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1) Amendments to IFRSs that are mandatorily effective for the year ended December 31, 2012:

The following amendments to (IFRS) issued by International Accounting Standards Board (IASB), are effective for the Fund's financial statements for the annual period beginning on or after July 1, 2011.

Amendments to IFRS 1: Severe Hyperinflation

(Effective for annual periods beginning on or after July 1, 2011)

The amendments regarding severe hyperinflation provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.

Amendments to IFRS 1: Removal of fixed dates for first-time adopters

(Effective for annual periods beginning on or after July 1, 2011)

The amendments regarding the removal of fixed dates provide relief to first-time adopters of IFRSs from reconstructing transactions that occurred before their date of transition to IFRSs.

Amendments to IFRS 7: Disclosures

(Effective for annual periods beginning on or after July 1, 2011)

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure in the asset.

The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the year.

2.2) New and revised IFRSs that are available for early application:

The following new and revised IFRSs are not mandatorily effective for the year ended 31 December 2012. However, they are available for early application. (Paragraph 30 of IAS 8 requires entities to consider and disclose the potential impact of new and revised IFRSs that have been issued but are not yet effective).

New amendments effective for annual periods beginning on or after January 1, 2015 with retrospective application, along with specific transitional provisions

- IFRS 9 Financial Instruments (as revised in 2010)
- Amendments to IFRS 9 and IFRS 7

New and revised IFRSs effective for annual periods beginning on or after January 1, 2013:

- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosure of Interests in Other Entities

Notes to the Financial Statements continued

for the year ended December 31, 2012
BAHRAINI DINAR

2- ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

- Amendments to IFRS 10, IFRS 11 and IFRS 12: Transition Guidance
- IAS 27: Separate Financial Statements (as revised in 2011)
- IAS 28: Investments in Associates and Joint Ventures (as revised in 2011)
- IFRS 13: Fair Value Measurement
- IAS 19: Employee Benefits (as revised in 2011)
- Amendments to IFRS 1: Related to Government Loans
- Amendments to IFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 1: Presentation of Items of Other Comprehensive Income
(Effective for annual periods beginning on or after July 1, 2012 with retrospective application)
- Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities
(Effective for annual periods beginning on or after January 1, 2014 with retrospective application)

The management anticipates that the new standards and interpretations will be adopted in the Fund's accounting policies for the period beginning on or after the effective date of the pronouncement, and those new standards and interpretations that have been issued but are not relevant to the Fund's operations will not be expected to have a material impact on the Fund's financial statements.

3- SIGNIFICANT ACCOUNTING POLICIES

3.1) Basis of preparation

The financial statements have been prepared to present information in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

3.2) Accounting convention

The financial statements have been prepared in accordance with the historical cost convention adjusted through the revaluation of some assets according to the fair value as explained in detail in the accompanying policies and disclosures. The accounting policies used have been consistently applied throughout the year and consistent with those policies used last year, except the adoption of new and revised standards (note 2). The financial statements have been presented in Bahraini Dinars.

3.3) Critical accounting estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Although these estimates are based on management's best knowledge, the actual results may differ from those estimates.

3.4) Recognition and de-recognition of financial assets and liabilities

A financial asset or a financial liability is recognised when the Fund become a party to the contractual provisions of the instrument. A financial asset is de-recognised either when the contractual rights to cash flows from the financial asset expire or the Fund has transferred substantially all the risks and rewards of ownership or when it has neither transferred nor retained substantially all the risks and rewards, but no longer has control over the asset or a proportion of the asset. A financial liability is de-recognised when the obligation specific in the contract is discharged, cancelled or expired.

Notes to the Financial Statements continued

for the year ended December 31, 2012
BAHRAINI DINAR

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5) Cash and cash equivalents

Cash and cash equivalents represents cash on hand and at banks, and fixed deposits have been maturing within three months of their date of deposits are classified as cash and cash equivalents in the statement of cash flows.

3.6) Receivables

Receivables are stated at their nominal value, less allowance for any doubtful debts. Management determines the adequacy of the allowance based upon periodical review of individual customers, current economic conditions, past experience and other pertinent factors.

3.7) Property and equipment

Property and equipment are stated at the historical cost less accumulated depreciation. The realisable values of fixed assets are reviewed by the management at each financial position date to determine whether the book value exceeds the realisable value in which case the book value is written down to the realisable value. If the useful lives of fixed assets are different from the estimated lives of those assets, then the useful lives are adjusted from the beginning of the year in which the change occurred without going into retroactive periods.

Property and equipment are depreciated on straight line basis to reduce the value of the property to its residual value over their estimated useful lives as follows:

Furniture and fixtures	5 years
Computers	3 years

3.8) Impairment of tangible assets

At each financial position 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 impairment is recorded in the statement of activities. The impairment loss represents the difference between the carrying value of the asset and the estimated recoverable amount of the asset. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use represents the estimated future cash flows discounted at an appropriate discount rate.

An impairment loss recognised in prior periods for an asset, shall be reversed, if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset shall be increased to its recoverable amount. Reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.

3.9) 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 reporting date period and carried forward until they are utilised.

3.10) 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.

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.

Notes to the Financial Statements continued

for the year ended December 31, 2012
BAHRAINI DINAR

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11) 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.

3.12) Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of the resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each financial position date and adjusted to reflect the current best estimate.

3.13) Foreign currency translation

The functional currency of the Fund is Bahraini Dinar ("BHD") and accordingly, the financial statements are presented in BHD. Transactions denominated in foreign currencies are translated into BHD at the average rates of exchange prevailing during the year. Monetary assets and liabilities denominated in foreign currencies are retranslated into BHD at rates of exchange prevailing at the financial position date. The resultant exchange differences are taken to the statement of activities.

3.14) Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of recourse embodying economic benefits is remote. Contingent assets are not recognised but disclosed when an inflow of economic benefits is probable.

4- FURNITURE AND EQUIPMENT

	Furniture and fixtures	Computers	Capital work in progress	Total
Cost				
As at January 1, 2012	450,055	444,717	94,600	989,372
Additions	10,238	34,500	159,271	204,009
Transfers	105,781	7,050	(112,831)	-
Disposals	(19,210)	(18,468)	-	(37,678)
Write-off	-	-	(78,768)	(78,768)
As at December 31, 2012	546,864	467,799	62,272	1,076,935
Accumulated depreciation				
As at January 1, 2012	233,912	297,717	-	531,629
Charged during the year	101,542	115,684	-	217,226
Eliminated on disposals	(13,267)	(18,468)	-	(31,735)
As at December 31, 2012	322,187	394,933	-	717,120
Net book value				
As at December 31, 2012	224,677	72,866	62,272	359,815
As at December 31, 2011	216,143	147,000	94,600	457,743

Notes to the Financial Statements continued

for the year ended December 31, 2012
BAHRAINI DINAR

5- RECEIVABLES AND OTHER DEBIT BALANCES

	2012	2011
Receivable from LMRA (Note 9)	2,000,000	15,000,000
Prepayments and other receivables	1,657,929	1,524,803
Accrued profit income	86,588	234,894
Amounts deposited with the projects' implementers	1,800,000	1,800,000
	5,544,517	18,559,697

The receivable from Labour Market Regulatory Authority (LMRA) represents the fees for the month of December 2012 and is based on management's best estimates.

The prepayments and other receivables include carried forward balance of BD 1,431,700 due from Ministry of Finance and Ministry of Labour.

6- CASH AND CASH EQUIVALENTS

	2012	2011
Cash on hand	500	500
Bank balances	514,285	330,220
Balances in call accounts	11,495,581	15,763,353
Murabahat and Wakalat	55,056,488	67,212,159
	67,066,854	83,306,232

Balances with banks are non-profit earning except for certain balances in call accounts, which earn profit at effective rate of 1.45% (2011: 1.45%) per annum.

Murabahat and Wakalat are placed with local Islamic banks, having maturity periods up to three months from the date of their inception and earn profit at effective average rate of 2% (2011: 2.25%) per annum.

7- 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 utilization of the general reserve.

During the year, no amounts have been transferred to such reserve due to deficit of income under expenditure.

Notes to the Financial Statements continued

for the year ended December 31, 2012
BAHRAINI DINAR

8- PAYABLES AND OTHER CREDIT BALANCES

	2012	2011
Accounts payable	2,500,113	858,548
Due to the General Organisation for Social Insurance (Note 12)	1,316,932	-
Accrued expenses	212,565	456,459
Accruals for employees' benefits	507,250	485,912
	4,536,860	1,800,919

Accounts payable represent amounts payable for various projects in progress as at the statement of financial position date.

9- FEES INCOME

The fees income represents the Fund's eligibility to a 50% share of fees collected from the following:

- A- Private sector employers for the issuance of work permits and related renewals.
- B- Agencies and recruitment offices permits.
- C- Monthly fees of BD 10 for each foreign employee working in the Kingdom of Bahrain.*

*Monthly fees of BD 10 have been temporarily suspended until June 2013.

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

10- OTHER INCOME

	2012	2011
Profit income	1,759,243	1,978,158
Tender fees income	12,580	13,195
	1,771,823	1,991,353

Notes to the Financial Statements continued

for the year ended December 31, 2012
BAHRAINI DINAR

11- PROJECTS EXPENSES

	2012	2011
Enterprise Growth Management	12,270,241	2,994,492
Enterprise Support Fund Programme	10,547,907	1,388,674
Career Progression Schemes	4,920,128	3,809,776
Hospitality Management Programme	72,717	122,853
Finance and Accounting Programme	224,837	264,734
Finance Support Scheme	3,654,381	1,905,663
Transportation Scheme	-	480,000
Provide Funding and Advice – e-Market Place	58,710	-
Fashion Design Scheme	-	125,400
Retail Training Programme	78,876	84,555
Apprenticeship Scheme in Retailing BIRD	365,463	651,067
Occupational Health & Safety	208,225	207,405
Health Care Training Programme – CHS	1,760,000	981,500
CISCO Network Professionals	40,141	9,840
IT Security and Webpage Developers Programme	227,079	161,322
Women Technology Enablement	30,900	71,709
Work Ethics Development Programme	21,525	30,299
Bahrain Polytechnic Programme	294,832	184,470
Mohasaba Scheme	405,774	205,600
Fishermen Support Programme	614,328	1,423,332
Farmers Support Programme	1,478,450	320,143
Pilot Financing Scheme – BDB/GAA	173,388	184,488
Entrepreneur Networking Events	-	40,915
Information and Communication Technology Programme	116,397	55,378
Talent Management Workshops Programme	77,000	287,700
Leadership Development Scheme	-	55,575
Royal Police Academy Youth Campaign	218,500	150,000
National Skills Standardisation Programme	191,660	902,385
Yokogawa Bahrain Graduates Engineers Training Programme	44,200	68,680
Supporting Youth Campaigns - Youth City 2030	409,428	353,935
Kindergartens Subsidy Programme	285,546	656,364
Business Diversification	72,937	182,733
Bahrain Centre for Excellence Training Programme	-	225,000
Training and Employment of Aircraft Maintenance Engineers	1,150,000	1,900,000
Training and Education Performance Support	69,905	135,658
Training of Gulf Air - Cabin Crew	29,000	17,400
Training in Islamic Finance (CIMA)	149,515	49,880

Notes to the Financial Statements continued

for the year ended December 31, 2012
BAHRAINI DINAR

11- PROJECTS EXPENSES (CONTINUED)

	2012	2011
Quantity Surveyors Training Programme	92,448	137,416
Develop an Overall Innovation Strategy	-	95,486
Undergraduate Nursing Education - RCSI	864,000	1,108,000
Supporting Conferences Attendance	432,292	14,214
Supply Chain Management Programme	137,269	124,867
Career Marketing Awareness Campaign	26,778	285,595
Employment & Training in LMRA IT	62,650	67,140
Multi-Track Technicians Programme (National Institute for Industrial Training)	93,210	164,880
Invita Customer Service Programme	93,750	85,250
Bahrain Trade Fair	-	175,466
Alba Training Programme	89,437	87,781
Access to Bridging Programme for Nursing	-	254,960
Gulf Air Type Rating Financing Programme	-	139,514
King Hamad University Hospital Healthcare Training	219,125	26,325
Youth Business Plan Competition	161,156	113,687
Investment Support – Thomson Reuters	-	755,000
Investment Support – BASF Manufacturing Plant	126,400	-
Business Incubator	37,967	-
Professional Certifications Scheme	1,071,170	-
HR Workshops Scheme	207,084	-
HR Management Certificate Programme	193,375	-
Leadership Workshops Scheme	174,219	-
Leadership Certification Programme	241,650	-
Type Rating Programme for 65 Pilots with GAA	167,765	-
AB-Initio Training Programme - GAA	409,500	-
Al Mohema – Youth Work Readiness Programme	168,900	-
Documentary Film on Bahrain's Private Sector	150,000	-
a9eel in Schools 2 – Work Attitude Development Programme	22,071	-
Support for Economic Based Education Programme – inJAz	57,680	-
Azadea Group Retail Programme	78,950	-
Career Publications – Discover Life Magazine	170,821	-
Marketing Professionals CIM – BIBF	69,064	-
Warehouse Management Certifications	94,401	-
NIIT Automotive Industry – Company Specific Diploma	27,645	-
Other projects	39,283	310,866
	46,042,050	24,635,372

Notes to the Financial Statements continued

for the year ended December 31, 2012
BAHRAINI DINAR

12- UNEMPLOYMENT INSURANCE SUBSCRIPTIONS

	2012	2011
Unemployment insurance subscriptions	<u>15,583,450</u>	<u>14,726,782</u>

As stipulated in the Unemployment Law promulgated in Decree 87 of 2006, the Fund contributes 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, 2012 represents the subscription amount due for the month of December 2012 (Note 8).

13- EMPLOYEES' SALARIES AND BENEFITS

	2012	2011
Salaries	1,908,323	1,622,420
Other staff allowances	368,676	374,696
Pension Fund contributions	375,552	320,625
Transport allowances	82,160	79,150
Interest on employees' loans	71,372	65,899
Social allowances	72,157	69,525
Life and medical insurance	92,959	70,973
Telephone and communications allowances	41,625	40,262
	<u>3,012,824</u>	<u>2,643,550</u>

14- RELATED PARTY TRANSACTIONS

Compensation of key management personnel:

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

	2012	2011
Short term benefits	<u>462,982</u>	<u>289,649</u>

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

15- COMMITMENTS AND CONTINGENT LIABILITIES

15.1) Commitment for expenditures:

	2012	2011
Human Capital Development projects	43,929,510	36,377,421
Private Sector Support projects	109,034,821	73,857,944
Other projects	8,185,801	7,168,908
	<u>161,150,132</u>	<u>117,404,273</u>

The above commitments are due as follows:

	2012	2011
Not longer than one year	19,968,086	44,998,279
Longer than one year and not longer than five years	141,182,046	72,405,994
	<u>161,150,132</u>	<u>117,404,273</u>

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

Notes to the Financial Statements continued

for the year ended December 31, 2012
BAHRAINI DINAR

15- COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

15.2) Contingent liabilities:

	2012	2011
Financing guarantee	<u>107,500,000</u>	<u>77,500,000</u>

Pursuant to the memorandum of understanding dated July 18, 2007, the Ithmaar Bank B.S.C. agreed to grant financing facilities to the companies supported by the Fund for the amount of 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 anticipated liability under this guarantee is limited to BD 10 million and will be reduced by 80% of any amounts paid by the beneficiary in accordance with this guarantee.

According to the agreement dated May 28, 2008 and subsequent amendment on October 7, 2012, the Bahrain Development Bank B.S.C. agreed to grant financing facilities to the small and medium sized companies supported by the Fund for the amount of up to BD 100 million, out of which the Fund agreed to guarantee up to 50% of the value of all outstanding amounts due to the bank under the above facilities. The Fund's anticipated liability under this guarantee is limited to BD 50 million and will be reduced by 50% of any amounts paid by the beneficiary in accordance with this guarantee.

According to the agreement dated January 19, 2010 and subsequent amendment on November 8, 2012, the Bahrain Islamic Bank B.S.C. agreed to grant financing facilities to the companies supported by the Fund for the amount of up to BD 30 million, out of which the Fund agreed to guarantee up to 50% of the value of all outstanding amounts due to the bank under the above facilities. The Fund's anticipated liability under this guarantee is limited to BD 15 million and will be reduced by 50% of any amounts paid by the beneficiary in accordance with this guarantee.

According to the agreement dated July 4, 2010 and subsequent amendment on April 19, 2012, the Bank Muscat International B.S.C. agreed to grant financing facilities to the companies supported by the Fund for the amount of up to BD 30 million, out of which the Fund agreed to guarantee up to 50% of the value of all outstanding amounts due to the bank under the above facilities. The Fund's anticipated liability under this guarantee is limited to BD 15 million and will be reduced by 50% of any amounts paid by the beneficiary in accordance with this guarantee.

According to the agreement dated November 28, 2011, the Standard Chartered Bank B.S.C. agreed to grant financing facilities to the companies supported by the Fund for the amount of up to BD 5 million, out of which the Fund agreed to guarantee up to 50% of the value of all outstanding amounts due to the bank under the above facilities. The Fund's anticipated liability under this guarantee is limited to BD 2.5 million and will be reduced by 50% of any amounts paid by the beneficiary in accordance with this guarantee.

According to the agreement dated October 18, 2011, the Khaleeji Commercial Bank B.S.C. agreed to grant financing facilities to the companies supported by the Fund for the amount of up to BD 10 million, out of which the Fund agreed to guarantee up to 50% of the value of all outstanding amounts due to the bank under the above facilities. The Fund's anticipated liability under this guarantee is limited to BD 5 million and will be reduced by 50% of any amounts paid by the beneficiary in accordance with this guarantee.

According to the agreement dated July 13, 2011, the Al Salam Bank B.S.C. agreed to grant financing facilities to the companies supported by the Fund for the amount of up to BD 10 million, out of which the Fund agreed to guarantee up to 50% of the value of all outstanding amounts due to the bank under the above facilities. The Fund's anticipated liability under this guarantee is limited to BD 5 million and will be reduced by 50% of any amounts paid by the beneficiary in accordance with this guarantee.

According to the agreement dated August 28, 2011, the Kuwait Finance House B.S.C. agreed to grant financing facilities to the companies supported by the Fund for the amount of up to BD 10 million, out of which the Fund agreed to guarantee up to 50% of the value of all outstanding amounts due to the bank under the above facilities. The Fund's anticipated liability under this guarantee is limited to BD 5 million and will be reduced by 50% of any amounts paid by the beneficiary in accordance with this guarantee.

Notes to the Financial Statements continued

for the year ended December 31, 2012
BAHRAINI DINAR

16- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

A- Financial instruments:

Significant accounting policies

Details of the significant accounting policies, including the criteria for measurement and recognition of revenue and expenses, in respect of each class of financial assets and liabilities, are disclosed in note (3) to the financial statements.

Categories of financial instruments

The Fund's financial assets and financial liabilities are categorised in the statement of financial position as follows:

Financial assets:

	2012	2011
Receivables and other debit balances	5,544,517	18,559,697
Term deposits	-	5,000,000
Cash and cash equivalents	67,066,854	83,306,232
	72,611,371	106,865,929

Financial liabilities:

	2012	2011
Payables and other credit balances	4,536,860	1,800,919

Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in force or liquidation sale. The Fund used recognised assumptions and methods to estimate the fair value of the financial instruments. The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and trade on active liquid markets is determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flows analysis using prices from observable current market transactions and dealer quotes for similar financial instruments.

The Fund does not have the financial securities which are measured at fair value as of December 31, 2012.

B- Financial risks management

The Fund's use of financial instruments exposes it to a variety of financial risks such as credit risks, market risks, liquidity risks and cash flows interest rate risks. The management of the Fund continuously reviews its risk exposures to minimise to acceptable levels.

The fund's management provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risks, interest rate risks and credit risks.

The significant risks that the Fund is exposed to are discussed below:

Market risks

Market risk results from the fluctuation of its components such as equity prices, interest rates and foreign currency rates. Management evaluates these risks periodically in order to minimise its effects on the Fund's financial instruments.

Notes to the Financial Statements continued

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BAHRAINI DINAR

16- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Foreign currency risks

Foreign currency risks arise from transactions with foreign currencies other than the functional currency of the Fund. The Fund manages these risks by setting policy parameters on transactions in foreign currencies.

Cash flows interest rate risks

The Fund does not have significant interest-bearing assets and liabilities, which expose the Fund's income and operating cash flows substantially to the changes in market interest rates.

Equity price risks

An equity price risk is the risk that the fair value of equities will fluctuate as a result of changes in the levels of equity indices and the value of individual securities.

Currently, the Fund is not exposed to equity price risk because it doesn't have or retain financial investments.

• *Credit risks*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Fund to credit risk, consist principally of bank balances and receivables. The cash deposited at various local financial institutions and banks to avoid credit concentration with only one bank. The receivables are presented net of allowance for doubtful debts (if any).

• *Liquidity risks*

Liquidity risk is the risk that the Fund will be unable to meet its obligations when due. To minimise liquidity risk, management monitors liquidity periodically by forecasting future cash flows.

The maturity of liabilities is based on the period from the financial position date to the contractual maturity date. In the case of financial instruments that do not have a contractual maturity date, the maturity is based on management's estimate of time period in which the asset will be collected or disposed and the liability settled.

All the Fund's liabilities are due within one year from the date of the financial position.