

Reef Real Estate Finance Co. B.S.C. (c)

**Consolidated financial statements for the
year ended 31 December 2013**

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Financial statements for the year ended 31 December 2013

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Reef Real Estate Finance Co. B.S.C. (c)
Administration and contact details as at 31 December 2013

Commercial registration no.	58073 obtained on 10 September 2005	
CBB license	FC/001 obtained on 3 May 2005	
Board of Directors	Mr Ali Ahmed Al Baghli Mr Saud Kanoo Mr Faisal Al Matrook Mr Nasser Abdulhadi Al Gharibah Mr Samer Abbouchi Mr Mohammed Al Dosari Mr Mohamed A. Khaliq	(Chairman) (Vice-Chairman)
Chief Executive Officer	Mr Mahmood Al Koofi	
Executive Committee	Mr Faisal Al Matrook Mr Saud Kanoo Mr Nasser Abdulhadi Al Gharibah	(Chairman)
Nomination and remuneration committee	Mr Ali Ahmed Al Baghli Mr Faisal Al Matrook Mr Samer Abbouchi	(Chairman)
Audit Committee	Mr Samer Abbouchi Mr Mohammed Al Dosari Mr Mohamed A. Khaliq	(Chairman)
Sharia'a Supervisory Advisor	Shaikh Dr. Osama Bahar	
Registered office	Building 483, Road 1010 Block 410 PO Box 18599 Manama Kingdom of Bahrain	
Bankers	Ithmaar Bank Ahli United Bank Kuwait Finance House Al Baraka Islamic Bank Khaleeji Commercial Bank BMI Bank Bahrain Islamic Bank	
Auditors	BDO 17 th Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain	

CHAIRMAN'S MESSAGE

In the name of Allah, most gracious and merciful

Dear Shareholders, may Allah's peace, mercy and blessings be upon you.

It is my great pleasure to present to you our annual report for the year 2013, praying to almighty Allah that our pledge to you shall be renewed and you are living a life bursting with health, wellness and happiness.

I am glad to report that the Company achieved a net profit of BD1.3 million with growth rate of 207% compared to BD 426 thousand in 2012, This impressive growth reflects our diversified initiatives that the Company has implemented by investing its capital in well selected investment opportunities as described further below.

The reader of our financials will notice a slight drop in the size of the Company's assets and shareholder equity, while the increase will be evident in the overall income increasing by 38% higher than last year.

Similarly, it applies to other financial indicators showing an increase to last year by different percentages.

After the successful implementation of cost management strategies, these transitional years can be best summarized as one that was intended to do what is necessary for the uninterrupted and sound continuation of the Company's activities at the lowest possible cost while achieving maximal results for shareholders, this was achieved as a result of the combined cooperation of both the company's executive management and the support and guidance of the distinguished Board of Directors. We have succeeded in achieving our objectives for the year of the 2012 and the Company began 2013 with its sights on achieving the following key strategic objectives.

First continuation of the company's conservative approach to preserve the interests of our shareholders and its growth where possible given the current economic constraints.

Second, was to serve to the best of our abilities the remaining customer despite the continuing decrease in customer numbers as a result of the early settlements of IJARAH contracts resulting from intense competition from retail banks operating in the Kingdom of Bahrain. The banks' increased appetite and continued success to attract large number of customers, noting that the finance industry has witnessed a large reduction in interest rates charged that reached between 4 to 5 percent during the previous years. The Company has failed to keep pace with retail banks because

of the small size of its capital on one hand, and on the other hand its inability to accept deposits from customers prohibiting us from reducing the cost of financing.

Third and most important among these goals was to maximize the return of shareholder equity by investing in carefully selected projects that are high yielding yet with little risk associated with them. The success of our investment projects is a testament to the experience of the Board members, especially in the field of real estate investment. Board's experience has clearly contributed to the selection success of our projects that varied in nature. Some of the diversified projects include a multi-purpose center development in London, to affordable residential project development in Riyadh, and Business Bay in the Emirate of Dubai, noting that the Company is expected to receive investment returns from the abovementioned projects which will not be less than 12% to 15% with Allah's willing.

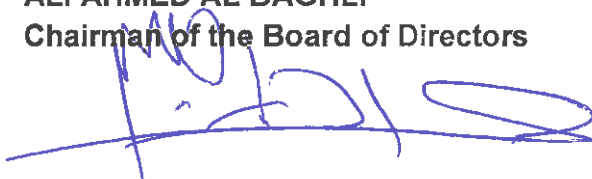
In the Kingdom of Bahrain, the Company built a diversified investment portfolio as it continued its management of a range of its own apartments in Tala Island in Amwaj. In addition to this, it has started work on two projects, one of which is a development of a residential building in Saar area expected to be sold during the first half of 2014. The Company has also started executing another high-rise residential tower development in Juffair, consisting of 25 levels and contains 147 apartments, which is expected to start sales in early 2015.

My trust in Allah is so great, and so is my trust in my fellow respected board members, who spared no effort to support and enhance the development of the company to a better future, hoping that they will continue such efforts with Allah's willing. I am also sure that the executive management and all staff in the Company will continue to do their best so we can together achieve better results for the coming years.

And here, I wish to extend my sincere thanks and personal appreciation to the distinguished shareholders for their patience, confidence and support to the company, hoping that, with Allah's willing, we keep meeting their expectation and exceed them in the future

I would also like to thank with immense appreciation and gratitude all the official bodies in the beloved Kingdom of Bahrain, in particular the Central Bank of Bahrain, Ministry of Industry and Commerce, and the Survey and Land Registration Bureau for the continuous support they are providing to create and maintain healthy and friendly business environments to do business in the Kingdom of Bahrain.

ALI AHMED AL BAGHLI
Chairman of the Board of Directors



Shari'ah Supervisory Advisor Report on Reef Real Estate Finance Co. BSC (c)

For the period from 1st January 2013 to 31st December 2013

Praise be to Allah, prayer and peace upon our master Muhammad the Imam of the Prophets and Messengers and his family and companions and allies.

It has been submitted to the Company's Shari'ah Supervisory Advisor the investment and financing operations as well as the activities done by the Company. The Shari'ah Supervisory Advisor as well reviewed the audited financial statements for the period from 1st January 2013 to 31st December 2013.

The review was commissioned to issue an opinion on whether the Company had followed the principles and provisions of the Islamic Shari'ah and fatwas issued by the Shari'ah Advisor of the Company. Where the responsibility lies with the Company to ensure that its operations are in compliance with the issued Shari'ah legitimate, our responsibility is limited to express an independent opinion on the Company's operations done during the current year, and therefore decides the following:

1. The Company's contracts, transactions and operations for the year ended 31st December 2013 are in compliance with the provisions and principles of Islamic Shari'ah.
2. The calculation of the Company's profits and the losses charged to its investment operations are in compliance with the provisions and principles of the Islamic Shari'ah.
3. The realized earnings from sources that are not compatible with the principles and provisions of Shari'ah have been donated for charitable purposes.
4. The Zakaha has been calculated in accordance with the Shari'ah Principles.

And Allaah is the Source of Successes.



Shaikh Dr. Osama Mohammed Bahar
Shari'ah Supervisory Advisory

Independent auditor's report to the Board of Directors of Reef Real Estate Finance B.S.C. (c)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Reef Real Estate Finance Co. B.S.C. (c) ("the Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statement of income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The management of the Group is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and the Shari'a rules and principles as determined by the Shari'a advisor of the Company. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Auditing Standards for Islamic Financial Institution and International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013, and the consolidated results of its operations, the consolidated changes in shareholders' equity and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and the Shari'a rules and principles as determined by the Shari'a advisor of the Company.

Report on other legal and regulatory requirements

As required by the Bahrain Commercial Companies Law, Decree Number 21 of 2001 and the Central Bank of Bahrain (CBB) Rule Book Volume 5, we report that: the Group has maintained proper accounting records and the financial statements are in agreement therewith; the financial information contained in the chairman's statement is consistent with the consolidated financial statements; we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 5 and applicable provision of volume 2) and CBB directives, or the terms of the Company's license, Memorandum and Articles of Association having occurred during the year that might have had a material adverse effect on the business of the Group or on its consolidated financial position; and satisfactory explanations and information have been provided to us by the management in response to all our requests.



Manama, Kingdom of Bahrain
19 February 2014

Reef Real Estate Finance Co. B.S.C. (c)
 Consolidated statement of financial position as at 31 December 2013
 (Expressed in Bahraini Dinars)

	Notes	31 December 2013	31 December 2012
ASSETS			
Cash and bank balances		1,368,833	559,012
Investment in an associate	4	-	512,139
Investment securities	5	2,111,508	3,543,000
Mudaraba investments	6	5,850,869	7,484,905
Murabaha financing	7	4,813,008	-
Ijarah Muntahia Bittamleek and Musharaka	8	7,878,433	12,259,502
Properties-under-development	9	1,363,397	-
Investment in real estate	10	3,233,209	3,359,401
Receivables and prepayments	11	1,328,623	651,615
Property and equipment	12	19,848	33,282
Total assets		27,967,728	28,402,856
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Islamic financing		-	421,156
Other liabilities	13	510,899	623,394
		510,899	1,044,550
Shareholders' Equity			
Share capital	14	24,042,900	24,042,900
Statutory reserve	15(i)	1,039,512	908,652
Properties fair value reserve	15(ii)	1,078,825	1,078,825
Charity reserve		2,770	10,704
Retained earnings		1,292,822	1,317,225
		27,456,829	27,358,306
Total liabilities and Shareholders' equity		27,967,728	28,402,856

These financial statements and notes from 1 to 20, set out on pages 7 to 29, were approved for issue by the Board of Directors on 19 February 2014 and signed on their behalf by:

Ali Ahmed Al Baghli
 Chairman

Mahmood Al Koofi
 Chief Executive Officer

Reef Real Estate Finance Co. B.S.C. (c)
Consolidated statement of income for the year ended 31 December 2013
(Expressed in Bahraini Dinars)

	<u>Notes</u>	<u>31 December 2013</u>	<u>31 December 2012</u>
Income			
Gross Ijarah and Musharaka income		2,113,144	2,931,764
Less: Depreciation on Ijarah Muntahia Bittamleek	8	<u>1,196,218</u>	<u>1,621,052</u>
		916,926	1,310,712
Profit from Mudaraba investments		198,420	210,276
Profit from Murabaha financing		911,968	-
Fees income from Ijarah Muntahia Bittamleek		35,901	111,632
Gain on settlement of due to exiting shareholder	4	242,216	-
Rental Income from investment in real estate		126,300	172,699
Income from investment securities		2,881	-
Net foreign exchange gains		<u>56,011</u>	<u>-</u>
		<u>2,490,623</u>	<u>1,805,319</u>
Expenses			
Staff costs		423,926	409,303
Finance costs		19,154	105,824
General and administrative expenses		395,814	387,302
Depreciation of property and equipment	12	18,790	19,812
Depreciation on investment in real estate	10	538	502
Impairment on properties-under-development		85,238	-
Share of net loss from investment in an associate		-	410
Allowances and provisions		<u>238,561</u>	<u>456,304</u>
		<u>1,182,021</u>	<u>1,379,457</u>
Net profit for the year		<u><u>1,308,602</u></u>	<u><u>425,862</u></u>
Basic and diluted earnings per share	16	<u><u>Fils5.4</u></u>	<u><u>Fils1.8</u></u>

Reef Real Estate Finance Co. B.S.C. (c)

Consolidated statement of changes in shareholders' equity for the year ended 31 December 2013
(Expressed in Bahraini Dinars)

	Notes	Share capital	Statutory reserve	Properties fair value reserve	Charity reserve	Retained earnings	Total
At 31 December 2011		24,042,900	866,066	1,078,825	8,314	2,136,094	28,132,199
Dividend for the year 2011		-	-	-	-	(1,202,145)	(1,202,145)
Charity reserve movement		-	-	-	2,390	-	2,390
Total net profit for the year		-	-	-	-	425,862	425,862
Transferred to statutory reserve	15(i)	-	42,586	-	-	(42,586)	-
At 31 December 2012		24,042,900	908,652	1,078,825	10,704	1,317,225	27,358,306
Dividend for the year 2012	14	-	-	-	-	(1,202,145)	(1,202,145)
Charity reserve movement		-	-	-	(7,934)	-	(7,934)
Total net profit for the year		-	-	-	-	1,308,602	1,308,602
Transferred to statutory reserve	15(i)	-	130,860	-	-	(130,860)	-
At 31 December 2013		24,042,900	1,039,512	1,078,825	2,770	1,292,822	27,456,829

Reef Real Estate Finance Co. B.S.C. (c)
Consolidated statement of cash flows for the year ended 31 December 2013
(Expressed in Bahraini Dinars)

	Notes	31 December 2013	31 December 2012
Operating activities			
Net profit for the year		1,308,602	425,862
Adjustments for:			
Depreciation on property and equipment	12	18,790	19,812
Depreciation on Ijarah Muntahia Bittamleek	8	1,196,218	1,621,052
Depreciation on investment in real estate	10	538	502
Realised loss on sale of investment in real estate		10,446	-
Impairment loss on property-under -development		85,238	-
Share of net loss from an associate		-	410
Loss on investment in securities	5	2,856	-
Transfer to charity reserve		-	5,000
Finance costs		19,154	105,824
Changes in operating assets and liabilities:			
Receivables and prepayments		(677,009)	(51,958)
Other liabilities		(112,494)	(127,457)
Net cash provided by operating activities		<u>1,852,339</u>	<u>1,999,047</u>
Investing activities			
Net movement in Murabaha financing		(1,624,308)	-
Additions in investment securities		(1,760,064)	(3,543,000)
Net movement in properties-under-development		(1,448,635)	-
Net Movement in investment in an associate	4	512,139	-
Purchase of property and equipment	12	(5,356)	(25,084)
Addition in investment in real estate	10	(376,643)	(522,917)
Net Movement in Mudaraba investments		1,634,036	(722,436)
Net movement in Ijarah Muntahia Bittamleek and Musharaka		3,184,851	3,621,776
Net movement in Musharaka financing		-	5,937
Proceeds from sale of investment in real estate		491,852	-
Net cash provided by/(used in) investing activities		<u>607,872</u>	<u>(1,185,724)</u>
Financing activities			
Islamic financing repaid, net		(421,156)	(849,800)
Charity reserve movement		(7,934)	(2,610)
Dividends paid	14	(1,202,145)	(1,202,145)
Finance costs paid		(19,154)	(105,824)
Net cash used in financing activities		<u>(1,650,389)</u>	<u>(2,160,379)</u>
Net increase/(decrease) in cash and cash equivalents		809,821	(1,347,056)
Cash and cash equivalents, beginning of the year		<u>559,012</u>	<u>1,906,068</u>
Cash and cash equivalents, end of the year		<u>1,368,833</u>	<u>559,012</u>

1 Organisation and principal activities

Reef Real Estate Finance Co. B.S.C. (c) (“the Company”) and its subsidiary comprise “the Group”. The Company is a closed shareholding company and operates as an Islamic financing company under license number 58073 granted by the Ministry of Commerce and Central Bank of Bahrain (“CBB”) license number FC/001 obtained on 5 May 2005. The Company commenced commercial operations on 10 September 2005.

The principal activities of the Group include:

- granting short and long-term financing facilities to consumers to finance the purchase and construction of real estate;
- providing leasing facilities with an option to buy;
- investing in real estate, industrial, agricultural and other economic sectors and dealing in shares of established companies;
- buying and selling of properties, developing residential and commercial land, building residential and commercial units with the intent of their subsequent sale or lease; and

The Company’s activities are regulated by the CBB and supervised by a Shari’a Supervisory Advisor whose role has been defined by the Board of Directors.

The registered office of the Company is in the Kingdom of Bahrain.

The structure of the Group is as follows:

Subsidiaries

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Effective ownership interest 2013</u>	<u>Effective ownership interest 2012</u>
First Reef B.S.C. (c)*	Kingdom of Bahrain	Buying and selling of properties	99.9%	45%
Reef Investment UK B.S.C (c)	Kingdom of Bahrain	To issue funds	99.9%	99.9%

As the Company now exercises significant influence over First Reef B.S.C. (c), the investment has been accounted for as an subsidiary as at 31 December 2013.

* Refer to note 4

2 Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention, modified by the valuation of investment in real estate and investments in securities which are measured at their fair values. The consolidated financial statements of Group have been prepared on a going concern basis as at 31 December 2013.

(a) Statement of Compliance

The consolidated financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ('AAOIFI'), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Advisor of the Group, the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law and the CBB Rule Book (Volume 5 and applicable provision of volume 2) and CBB directives, regulations and associated resolutions, rules and procedures of the Company's memorandum and articles of association in accordance with the requirements of AAOIFI. For matters for which no AAOIFI standard exists, the Group uses the relevant International Financial Reporting Standards ('the IFRS') issued by International Accounting Standards Board.

(b) Shari'a rules and principles

The Group has appointed a Shari'a Supervisory Advisor in accordance with the terms of its Articles of Association. The Shari'a Supervisory Advisor reviews the Group's compliance with general Shari'a principles and issues fatwas, rulings and guidelines on specific matters. The review includes examination of evidence relating to the documentation and procedures adopted by the Group to ensure that its activities are conducted in accordance with Islamic Shari'a principles.

The Group is committed to avoid recognising any income generated from non-Islamic sources. Any earnings prohibited by Shari'a are set aside for charitable purposes or otherwise dealt with in accordance with the directions of the Shari'a Supervisory Advisor.

(c) Functional and presentation currency

The consolidated financial statements have been presented in Bahraini Dinars ("BD"), being the functional currency of the Group's operations.

(d) Adoption of new and/or amended standard

During 2012, AAOIFI issued a new Financial Accounting Standard (FAS 26) "Investments in real estate", which is effective as of 1 January 2013.

Financial Accounting Standard (FAS 26) "Investment In Real Estate"

The Group has adopted FAS 26 issued by AAOIFI which covers the recognition, measurement, presentation and disclosure of investment in real estate that is acquired for the purpose of earning periodical income or held for future capital appreciation or both.

2 Basis of preparation (continue)

(d) Adoption of new and/or amended standard (continue)

Financial Accounting Standard (FAS 26) "Investment In Real Estate" (continue)

The adoption of FAS 26 had an effect on the classification and measurement of the Group's direct investment in real estate rather than investment in shares and other financial instruments providing indirect exposure to investment in real estate. The Group has accounted for such other investments under other standards issued by AAOIFI. As a result of the application of this new standard, the Group revisited the classification of the investment portfolio and changes, if any, were made in these classification in line with FAS 26. The Group investments in real estate for comparative period are in the nature of held-for-use and have always been fair valued in the prior year therefore there is no need for adjustment in opening retained earnings as of 1 January 2012. As of 31 December 2013, "Property fair value reserve" amounts to BD1,078,825.

Before the adoption of FAS 26, the Company was following FAS 17 'investments' and measured its investment in real estate at fair value and this measurement continues to be followed under FAS 26.

(e) Basis of consolidation

The consolidated financial statements incorporate financial statements of the Company and its subsidiary from the date that control effectively commenced until the date that control effectively ceased. Control is achieved when the company has the power to govern the financial and operational policies of an entity so as to obtain benefits from its activities. All intergroup balances, transactions and unrealised profits and losses are eliminated in full on consolidation.

(f) Critical accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Impairment

The Group assesses at each consolidated statement of financial position date whether there is objective evidence that a specific asset or a group of assets may be impaired. An asset or a group of assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event(s) have an impact on the estimated future cash flows of the asset or the group of the assets that can be reliably estimated.

Fair valuation of investments

The determination of fair values of unquoted investments requires management to make estimates and assumptions that may affect the reported amount of assets at the date of the consolidated financial statements. The valuation of such investments is based on the fair value as explained in policy note. Nonetheless, the actual amount that is realised in a future transaction may differ from the current estimate of fair value and may still be outside management estimates, given the inherent uncertainty surrounding valuation of unquoted investments.

2 Basis of preparation (continue)

(f) Critical accounting estimates and judgements

Valuation of investment in real estate

The Group obtains valuations performed by external independent property valuers in order to determine the fair value of its investment properties. These valuations are based upon assumptions including future rental income, anticipated maintenance costs and the appropriate discount rate. The independent property valuers also make reference to market evidence of transaction prices for similar properties.

Classification of investments

In the process of applying the Group's accounting policies, management decides upon acquisition of an investment, whether it should be classified as investments carried at fair value through income statement, held at amortised cost or investments carried at fair value through equity. The classification of each investment reflects the management's intention in relation to each investment and is subject to different accounting treatments based on such classification.

Legal proceedings

The Group reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the consolidated financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

3 Significant accounting policies

A summary of the significant accounting policies adopted in the preparation of these consolidated financial statements is set out below:

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and bank balances.

Investment in an associate

The Group's investment in its associate is accounted under the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. The financial statements of the associate are used by the Company to apply the equity method. The reporting dates of the associate and the Company are identical and both use consistent accounting policies.

3 Significant accounting policies (*continue*)

Investment in an associate (continue)

The investment in associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The statement of income reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the associates' equity, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in shareholders' equity.

Investment in securities

Investments in securities comprise of both equity and debt type instruments.

The equity type instruments are further classified as investment at fair value through consolidated statement of income. and investment carried at fair value through equity. Also the debt type instruments are further classified as investment at fair value through consolidated statement of income. and investment carried at amortised cost. The group investments in securities consist of debt and equity instruments classified as fair value through consolidated statement of income.

The Group's had acquired investments principally for the purpose of generating a profit from short term fluctuations in price or dealers margin, accordingly the instrument are carried at fair value through consolidated statement of income.

All investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment. At the end of each reporting period, investments shall be re-measured at their fair value and the gain/loss shall be recognised in the consolidated statement of income.

Mudaraba investments

Mudaraba investments are carried at historical cost less provision for impairment in value.

Murabaha financing

The Group finances these transactions through buying the commodity which represents the object of the Murabaha contract and then resells this commodity to the Murabaha (beneficiary) at a profit. The sale price (cost plus profit margin) is repaid in instalments by the Murabaha over the agreed period. The transactions are secured at times by the object of the Murabaha contract (in case of real estate finance) and other times by a total collateral package securing the facilities given to the Murabaha.

Murabaha financing is stated at cost less allowance for doubtful receivables.

Profit in respect of Group share in Murabaha financing shall be recognised on proportionate basis over the period of credit.

Musharaka financing

Musharaka financing is recorded on the basis of the Group's contribution to the Musharaka transaction. Musharaka is carried at historical cost less provision for impairment in value.

3 Significant accounting policies (continue)

Ijarah Muntahia Bittamleek

Assets acquired for leasing (Ijarah Muntahia Bittamleek) are stated at historical cost less accumulated depreciation and any impairment in value. Depreciation is provided on a straight-line basis over the period of the lease term (except for land, which is deemed to have an indefinite life).

The Group assesses at each financial position date whether there is objective evidence that the assets acquired for leasing are impaired. Impairment losses are measured as the difference between the carrying value of the asset and the estimated recoverable amount as per contractual terms. Impairment losses, if any, are recognised in the statement of income.

Property-under-development

Property-under-development represents properties held for sale in the ordinary course of business or in the process of construction and development for future sale. Property-under-development are valued at cost less impairment if any and include expenditure incurred in the normal course of developing and constructing the property, such as materials, labour and directly attributable overheads.

Properties-under-development are derecognised when they have either been disposed-off or when the property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on derecognition of a property under development are recognised in the consolidated statement of income in the year of derecognition.

Investment in real estate

Properties held for rental, or for capital appreciation purposes, or both, are classified as Investment in real estate. Investments in real estate are initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, investments in real estate are re-measured at fair value and changes in fair value (only gains) are recognised as property fair value reserve in the consolidated statement of changes in shareholders' equity.

Losses arising from changes in the fair values of investment in real estate are firstly adjusted against the property fair value reserve to the extent of the available balance and then the remaining losses are recognised in the consolidated statement of income. If there are unrealised losses that have been recognised in the consolidated statement of income in the previous financial periods, the current period's unrealised gain shall be recognised in the consolidated statement of income to the extent of crediting back such previous losses in the consolidated statement of income. When the property is disposed-off the cumulative gains previously transferred to the property fair value reserve, is transferred to the consolidated statement of income.

Receivables and prepayments

Receivables and prepayments are carried at their anticipated realisable values. An allowance is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

3 Significant accounting policies (continue)

Property and equipment

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

Depreciation is calculated on the straight-line method to write-off the cost of property and equipment to their estimated residual values over their expected economic useful lives as follows:

Leasehold improvements	5 years
Furniture and fixtures	5 years
Office equipment	5 years
Computer hardware and software	2-3 years
Motor vehicles	3 years

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

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amounts, the property and equipment are written-down to their recoverable amounts.

Islamic financing

Islamic financing liabilities comprise Murabaha and Wakalah financing and are stated at amortised cost.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

Employee benefits

Employee benefits and entitlements to annual leave, holiday and other short-term benefits are recognised as they accrue to the employees. The Group contributes to the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain.

This is a defined contribution pension plan and the Group's contributions are charged to the consolidated statement of income in the period to which they relate. In respect of this plan, the Group has a legal obligation to pay the contributions as they fall due and no obligation exists to pay the future benefits.

The expatriate employees of the Group are paid leaving indemnity in accordance with the provisions of the Bahrain Labour Law. The Group accrues for its liability in this respect on an annual basis.

3 Significant accounting policies (continue)

Impairment of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of comprehensive income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective profit rate.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the right to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting

Financial assets and financial liabilities are only offsetted and the net amount reported in the consolidated statement of financial position when there is a legal or religious enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3 Significant accounting policies (continue)

Revenue recognition

a) Income from Ijarah Muntahia Bittamleek

Revenue from assets acquired for Ijarah Muntahia Bittamleek (leasing) contracts are recognised proportionately over the terms of the lease.

b) Profit from Musharaka contracts

Profit from Musharaka contracts that continue for more than one financial period are recognised when a partial or final settlement takes place and the share of losses are recognised to the extent that such losses are deducted from the Group's share of the Musharaka capital.

c) Income from Mudaraba contracts

Income from Mudaraba contracts is recognised to the extent profits are declared by the Mudarib.

Dividends

Dividends to shareholders are recognised as liabilities in the year in which they are declared.

Foreign exchange transactions

Foreign currency transactions are recorded at the rates of exchange prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at the balance sheet date. Any translation differences are taken to the consolidated statement of income.

Zakah

The responsibility of payment of Zakah is on the shareholders. Zakah payable is computed by the Group on the basis of the method prescribed by the Company's Shari'a Supervisory Advisor and in line with AAOIFI standards.

4 Investment in an associate

During the year, the shareholders of the associate company at their meeting held on 8 April 2013 approved the transfer of shares held by Kooheji Contractors W.L.L. and Mohammed Rahma Mohsin Al Tajer in favour of Reef Real Estate Finance Co B.S.C. (c). As a result, Reef Real Estate Finance Co B.S.C. (c) hold 99.9% of the First Reef B.S.C (c) as of 31 December 2013.

Further, on settlement of dues to former shareholders of the subsidiary company, the subsidiary has made a gain amounting to BD242,216 which is shown in the consolidated statement of income. In summary, the share of net worth for existing shareholders was BD625,880 and exit consideration paid by subsidiary company for settling the dues amounted to BD383,664 thereby resulting in a net gain of BD242,216. The existing shareholders relinquished the amounts due from the subsidiary including both receivables and their equity stake.

5 Investment securities

<u>Investment at fair value through consolidated statement of income</u>	<u>31 December 2013</u>	<u>31 December 2012</u>
Investment in equity-type instruments - Unquoted	1,360,157	3,543,000
Investment in debt-type instruments- Quoted	<u>751,351</u>	<u>-</u>
	<u>2,111,508</u>	<u>3,543,000</u>

Investment in equity-type instruments

	<u>31 December 2013</u>	<u>31 December 2012</u>
Opening balance	3,543,000	-
Additions during the year	1,008,713	3,543,000
Less: unrealised fair value loss for the year	(2,856)	-
Less :Transferred to Murabaha financing	<u>(3,188,700)</u>	<u>-</u>
	<u>1,360,157</u>	<u>3,543,000</u>

During the year 2012, the Group has invested BD3,543,000 in acquiring 9.52% of the share capital of the Amwaj Property Limited (APL), incorporated in British Virgin Islands. The main objective of APL is to develop a property in London, England (“the Project”). During the year, APL converted 90% of its equity as murabaha financing accordingly the 90% of carrying value transferred to Murabaha financing (Note 7) and recorded an accrued profit of BD792,703 on murabaha financing from 15 March 2012 to 31 December 2013.

During the year 2013, the Group has invested BD1,008,713 in acquiring shares in Manazel Qurtoba 2 fund, floated by MEFIC Capital in Kingdom of Saudi Arabia. The main objective of Fund is to develop a property in Northern Riyadh, Kingdom of Saudi Arabia.

Investment in debt-type instruments

During the year 2013, the Group has invested BD751,351 in acquiring units in sukuk “CBB International Sukuk”, floated by Central Bank of Bahrain. These units are listed. The fair value of this units are not materially different from the carrying value as the units are bought by the Group closer to year ended 31 December 2013.

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5 Investment securities (continue)

Investment securities are denominated in the following currencies:

Currency	<u>2013</u>	<u>2012</u>
Great Britain Pound	354,300	3,543,000
United States Dollar	751,351	-
Saudi Riyal	<u>1,005,857</u>	<u>-</u>
	<u>2,111,508</u>	<u>3,543,000</u>

6 Mudaraba investments

	<u>31 December 2013</u>	<u>31 December 2012</u>
Ithmaar Bank	2,500,000	3,396,761
Ahli United Bank	524,390	1,516,619
Kuwait Finance House	1,500,000	1,502,713
Bahrain Islamic Bank	507,667	-
Al-Baraka Islamic Bank	750,000	1,000,000
Khaleeji Commercial Bank	<u>68,812</u>	<u>68,812</u>
	<u>5,850,869</u>	<u>7,484,905</u>

Mudaraba and Murabaha investments represent amounts placed with financial institutions, which have maturity periods ranging between 30 to 150 days, and earn market rates of profit per annum receivable on maturity.

7 Murabaha financing

		<u>31 December 2013</u>	<u>31 December 2012</u>
Amwaj Property Limited (APL)	(a)	3,188,700	-
Amwaj Property Limited (APL) - Mezzanine	(b)	596,233	-
Omniyat Properties Six Limited	(c)	<u>1,028,075</u>	<u>-</u>
		<u>4,813,008</u>	<u>-</u>

- a) The Murabaha financing with Amwaj Property Limited (APL) is unsecured, bears a compounded quarterly profit of 12.5% per annum and an arrangement fee of 1% and is not expected to be repaid within one year from the financial position date.
- b) The Murabaha financing with Amwaj Property Limited (APL) is unsecured, bears a compounded quarterly profit of 12.5% per annum and is expected to be early repaid in the first quarter of 2014.
- c) The Omniyat Properties Six Limited (OPUS Project) is secured, bears a profit of 15% per annum and is expected to be repaid at the end of two years from the date of investment. This project is based in Dubai, UAE.

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8 Ijarah Muntahia Bittamleek and Musharaka

	<u>Lands</u>	<u>Buildings</u>	<u>Total</u>
Cost			
At 31 December 2011	6,714,566	17,656,421	24,370,987
Additions	599,515	661,935	1,261,450
Transferred to receivables	-	(350,000)	(350,000)
Payment received/disposals	<u>(2,560,127)</u>	<u>(3,766,666)</u>	<u>(6,326,793)</u>
At 31 December 2012	4,753,954	14,201,690	18,955,644
Additions	-	154,215	154,215
Payment received/disposals	<u>(1,679,685)</u>	<u>(3,292,267)</u>	<u>(4,971,952)</u>
At 31 December 2013	<u>3,074,269</u>	<u>11,063,638</u>	<u>14,137,907</u>
Depreciation			
At 31 December 2011	-	(6,522,568)	(6,522,568)
Charged for the year	-	(1,621,052)	(1,621,052)
Transferred to receivables	-	188,462	188,462
Disposals	<u>-</u>	<u>1,577,288</u>	<u>1,577,288</u>
At 31 December 2012	-	(6,377,870)	(6,377,870)
Charged for the year	-	(1,196,218)	(1,196,218)
Disposals	<u>-</u>	<u>1,752,886</u>	<u>1,752,886</u>
At 31 December 2013	<u>-</u>	<u>(5,821,202)</u>	<u>(5,821,202)</u>
Impairment provision			
At 31 December 2011	(5,071)	(335,081)	(340,152)
Transferred to receivables	-	141,880	141,880
Increase in provision	<u>-</u>	<u>(120,000)</u>	<u>(120,000)</u>
At 31 December 2012	(5,071)	(313,201)	(318,272)
Increase in provision	<u>-</u>	<u>(120,000)</u>	<u>(120,000)</u>
At 31 December 2013	<u>(5,071)</u>	<u>(433,201)</u>	<u>(438,272)</u>
Net book value			
At 31 December 2013	<u>3,069,198</u>	<u>4,809,235</u>	<u>7,878,433</u>
At 31 December 2012	<u>4,748,883</u>	<u>7,510,619</u>	<u>12,259,502</u>

Assets acquired for leasing (Ijarah Muntahia Bittamleek) are leased under contracts that conclude with the transfer of the legal title (ownership) in the leased asset to the lessee at the end of the lease period for a token consideration.

The Ijarah Muntahia Bittamleek contracts outstanding at 31 December 2013 have lease terms of up to 20 years.

9 Properties-under-development

During 2013, the Group has invested BD224,160 in developing a three storey building at Shakhoora, Bahrain. The Group holds 90.4% share in the project.

Further investment in "Le Papillon Project" in Juffair amounts to BD1,139,237.

Both of these constitute properties are under development as at 31 December 2013.

10 Investment in real estate

	<u>Investment Properties for capital Appreciation</u>	<u>Investment properties for periodical consideration</u>	<u>Total</u>
Cost/Revalued			
As at 31 December 2011	2,019,308	817,832	2,837,140
Transfer from investment properties for capital appreciation to periodical consideration	(2,019,308)	2,019,308	-
Additions	<u>502,297</u>	<u>20,620</u>	<u>522,917</u>
As at 31 December 2012	502,297	2,857,760	3,360,057
Additions during the year	376,208	435	376,643
Disposals	<u>(502,297)</u>	<u>-</u>	<u>(502,297)</u>
As at 31 December 2013	<u>376,208</u>	<u>2,858,195</u>	<u>3,234,403</u>
Depreciation			
As at 31 December 2011	-	154	154
Charge for the year	<u>-</u>	<u>502</u>	<u>502</u>
As at 31 December 2012	-	656	656
Charge for the year	<u>-</u>	<u>538</u>	<u>538</u>
As at 31 December 2013	<u>-</u>	<u>1,194</u>	<u>1,194</u>
Net book value			
At 31 December 2013	<u>376,208</u>	<u>2,857,001</u>	<u>3,233,209</u>
At 31 December 2012	<u>502,297</u>	<u>2,857,104</u>	<u>3,359,401</u>

Included in investment properties for periodical consideration is the net book value of furniture and fixtures of BD31,190 (2012:31,293) which is depreciated over their useful life.

During December 2013, the Group obtained an open market valuation of its investment in real estate from an independent real estate valuer, which reflected the total fair value of the properties at BD3,352,002 resulting in an unrealised fair value gain amounting to BD118,793 (2012: BD1,299). However, on a conservative basis, the management of the Group has taken a decision not to include the current year's unrealised fair value gain in the consolidated statement of changes in equity.

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11 Receivables and prepayments

	31 December 2013	31 December 2012
Ijarah Muntahia Bittamleek rental receivables	733,011	904,019
Allowance for doubtful Ijarah Muntahia Bittamleek rental receivables	(606,654)	(593,592)
Other receivables	731,365	681,156
Allowance for other receivables	(476,036)	(384,173)
Accrued profit on Murabaha financing	916,968	-
Accrued profit on Mudaraba investments	<u>29,969</u>	<u>44,205</u>
	<u>1,328,623</u>	<u>651,615</u>

12 Property and equipment

	Leasehold improvements	Furniture and fixtures	Office equipment	Computer hardware and software	Motor vehicles	Total
<u>Cost</u>						
At 31 December 2011	154,280	47,190	46,615	129,567	36,880	414,532
Additions	-	-	-	25,084	-	25,084
Disposal	-	-	(699)	-	-	(699)
At 31 December 2012	154,280	47,190	45,916	154,651	36,880	438,917
Additions	-	-	-	5,356	-	5,356
At 31 December 2013	<u>154,280</u>	<u>47,190</u>	<u>45,916</u>	<u>160,007</u>	<u>36,880</u>	<u>444,273</u>
<u>Accumulated depreciation</u>						
At 31 December 2011	144,093	44,126	43,923	117,500	36,880	386,522
Charge for the year	8,844	2,808	2,364	5,796	-	19,812
Disposal	-	-	(699)	-	-	(699)
At 31 December 2012	152,937	46,934	45,588	123,296	36,880	405,635
Charge for the year	726	256	175	17,633	-	18,790
At 31 December 2013	<u>153,663</u>	<u>47,190</u>	<u>45,763</u>	<u>140,929</u>	<u>36,880</u>	<u>424,425</u>
<u>Net book value</u>						
At 31 December 2013	<u>617</u>	<u>-</u>	<u>153</u>	<u>19,078</u>	<u>-</u>	<u>19,848</u>
At 31 December 2012	<u>1,343</u>	<u>256</u>	<u>328</u>	<u>31,355</u>	<u>-</u>	<u>33,282</u>

The Group operates from premises leased at a monthly rental of BD6,000 (2012: BD6,000) per month.

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13 Other liabilities

	31 December <u>2013</u>	31 December <u>2012</u>
Ijarah Muntahia Bittamleek payables	447,716	136,898
Other payables	3,523	429,437
Accrued expenses	<u>59,660</u>	<u>57,059</u>
	<u>510,899</u>	<u>623,394</u>

14 Share capital

	31 December <u>2013</u>	31 December <u>2012</u>
Authorised		
400,000,000 (2012: 400,000,000) ordinary shares of 100 Fils each	<u>40,000,000</u>	<u>40,000,000</u>
Issued and fully paid-up		
240,429,000 (2012: 240,429,000) ordinary shares of 100 Fils each	<u>24,042,900</u>	<u>24,042,900</u>

The Company has only one class of equity shares and the holders of the shares have equal voting rights.

The names and nationalities of the major shareholders, holding shareholding interest of 5% or more and the number of shares at 31 December 2013 and 2012 are as follows:

	<u>31 December 2013</u>	
<u>Nationality</u>	<u>Number of shares</u>	<u>Percentage of shareholding interest</u>
Gimbal Holding Co. S.P.C	113,001,630	47%
Inovent B.S.C.	24,042,900	10%
Ossis Property Developers B.S.C.(c)	24,042,900	10%
Sh. Sultan Bin Khalifa Al Nahyan	<u>13,223,595</u>	<u>5.5%</u>
	<u>174,311,025</u>	<u>72.50%</u>
	<u>31 December 2012</u>	
<u>Nationality</u>	<u>Number of shares</u>	<u>Percentage of shareholding interest</u>
National International Holding K.S.C.(c)	48,085,800	20%
Global Investment House K.S.C.(c)	40,872,930	17%
Inovent B.S.C.	24,042,900	10%
Ossis Property Developers B.S.C.(c)	24,042,900	10%
Safi Financial Services	24,042,900	10%
Sh. Sultan Bin Khalifa Al Nahyan	<u>13,223,595</u>	<u>5.5%</u>
	<u>174,311,025</u>	<u>72.50%</u>

During the year, National International Holding K.S.C.(c), Global Investment House K.S.C.(c) and Safi Financial Services transferred their holding in the company to Gimbal Holding Co. S.P.C. As a result, Gimbal Holding Co. S.P.C. became 47% shareholder of the Group as of 31 December 2013.

14 Share capital (continue)

Details of the Directors' interests in the Company's shares as at 31 December 2013 and 31 December 2012 are as follows:

<u>Name of the directors</u>	<u>2013 Number of shares</u>	<u>2012 Number of shares</u>
Saud Kanoo	2,404,290	2,404,290
Faisal Al Matrook	<u>2,404,290</u>	<u>2,404,290</u>
	<u>4,808,580</u>	<u>4,808,580</u>

In accordance with resolutions passed at the Annual General Meeting held on 30 April 2013 cash dividend of 5fils per share, amounting to a total dividend of BD1,202,145(2012:BD1,202,145) were approved by the shareholders.

15 Reserves

(i) *Statutory reserve*

Under the provisions of the Bahrain Commercial Companies Law, Decree no.21 of 2001 an amount equivalent to 10% of the Group's net profit before appropriations is required to be transferred to a non-distributable reserve account until such time as a minimum of 50% of the issued share capital is set aside. During the year, an amount of BD130,860 has been transferred to the statutory reserve (2012: BD42,586).

(ii) *Investment property fair value*

The revaluation reserve represents the net surplus arising on revaluation of investment in real estate (Note 10). This reserve is not available for distribution.

16 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares issued during the period.

	<u>31 December 2013</u>	<u>31 December 2012</u>
Net profit attributable to the shareholders	<u>BD1,308,602</u>	<u>BD425,862</u>
Weighted average number of ordinary shares	<u>240,429,000</u>	<u>240,429,000</u>
Basic and diluted earnings per share	<u>Fils5.4</u>	<u>Fils1.8</u>

The earnings per share have been computed on the basis of net profit for the year divided by the number of shares outstanding for the year. There is no difference between the basic and diluted earnings per share.

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17 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties consist of the shareholders and directors and their close family members, and businesses under their control. The Group's transactions with related parties are authorised by the management.

A summary of the transaction and amounts due from related parties is as follows:

Related party relationship	Transaction type	For the year ended Transaction amount		Amounts due from related parties	
		31 December 2013	31 December 2012	31 December 2013	31 December 2012
Shareholder's and immediate family members	Ijarah Muntahia Bittamleek	<u>461,390</u>	<u>483,943</u>	<u>127,353</u>	<u>299,613</u>

18 Maturity profile

Maturity profile of assets and liabilities is as follows:

	Carrying amount	Up to 6 months	6-12 months	At 31 December 2013	
				1-5 years	5 years and above
Assets					
Cash and bank balances	1,368,833	1,368,833	-	-	-
Investment securities	2,111,508	-	-	2,111,508	-
Mudaraba investments	5,850,869	5,850,869	-	-	-
Murabaha financing	4,813,008	-	-	4,813,008	-
Ijarah Muntahia Bittamleek and Musharaka	7,878,433	-	26,024	1,098,661	6,753,748
Properties-under-development	1,363,397	-	-	1,363,397	-
Investment in real estate	3,233,209	-	376,207	2,857,002	-
Receivables and prepayments	1,328,623	80,241	36,337	1,212,045	-
Property and equipment	19,848	-	16,094	3,754	-
Total assets	<u>27,967,728</u>	<u>7,299,943</u>	<u>454,662</u>	<u>13,459,375</u>	<u>6,753,748</u>
Equity and liabilities					
Share capital	24,042,900	-	-	-	24,042,900
Statutory reserve	1,039,512	-	-	-	1,039,512
Property fair value reserve	1,078,825	-	-	1,078,825	-
Charity reserve	2,770	-	2,770	-	-
Retained earnings	1,292,822	-	-	-	1,292,822
Other liabilities	510,899	-	3,524	507,375	-
Total equity and liabilities	<u>27,967,728</u>	<u>-</u>	<u>6,294</u>	<u>1,586,200</u>	<u>26,375,234</u>

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18 Maturity profile (continue)

	At 31 December 2012				
	Carrying amount	Up to 6 months	6-12 months	1-5 years	5 years & above
Assets					
Cash and bank balances	559,012	559,012	-	-	-
Investment in an associate	512,139	-	-	512,139	-
Available-for-sale investment	3,543,000	-	-	3,543,000	-
Mudaraba investments	7,484,905	7,484,905	-	-	-
Ijarah Muntahia Bittamleek and Musharaka	12,259,502	42,525	35,709	1,471,376	10,709,892
Investment properties	3,359,401	-	-	3,359,401	-
Receivables and prepayments	651,615	154,172	44,346	453,007	90
Property and equipment	33,282	146	27,243	5,894	-
Total assets	<u>28,402,856</u>	<u>8,240,759</u>	<u>107,298</u>	<u>9,344,817</u>	<u>10,709,982</u>
Equity and liabilities					
Share capital	24,042,900	-	-	-	24,042,900
Statutory reserve	908,652	-	-	-	908,652
Investment property fair value Reserve	1,078,825	-	-	1,078,825	-
Charity reserve	10,704	-	10,704	-	-
Retained earnings	1,317,225	-	-	-	1,317,225
Islamic financing	421,156	421,156	-	-	-
Other liabilities	623,394	623,394	-	-	-
Total equity and liabilities	<u>28,402,856</u>	<u>1,044,550</u>	<u>10,704</u>	<u>1,078,825</u>	<u>26,268,777</u>

19 Financial assets and liabilities and risk management

Financial assets and liabilities carried on the statement of financial position include cash and bank balances, Mudaraba investments, Ijarah Muntahia Bittamleek, Musharaka financing, receivables and prepayments, Islamic financing and other liabilities. The specific recognition methods adopted are disclosed in the individual policy statements associated with each item.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made to the objectives, policies and processes during the years ended 31 December 2013 and 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt Islamic financing and other liabilities less cash and bank balances. Capital includes shareholders' capital and reserves attributable to the shareholders of the Group.

Since the Group does not have any net debt as at 31 December 2013 and 2012, the calculation of gearing ratio has not been presented.

19 Financial assets and liabilities and risk management (continue)

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Cash is placed with national and multinational banks with good credit ratings. The Group's credit risk arises mainly from the Mudaraba investments and receivables of future Ijarah rentals and Musharaka financing.

Mudaraba investments are placed with highly reputed and credit worthy financial institutions. In case of Ijarah rentals and Musharaka financing, the Group has well defined policies for managing credit risk to ensure that risks are accurately assessed, properly approved and regularly monitored. Formal credit limits are applied at counterparty and single obligor level. Overall exposures are also evaluated to ensure a broad diversification of risk by setting concentration limits by geographical regions and industrial sectors.

Currency rate risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's foreign currency transactions are predominantly in GCC currencies which are effectively pegged to the Bahraini Dinar. Accordingly, the management does not consider the Group to have a significant currency rate risk.

Concentration risk arises when a number of counterparties are engaged in similar economic activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group seeks to manage its concentration risk by establishing geographic, industry and customer-wise concentration limits.

Profit rate risk arises due to different timing of re-pricing of the Group's assets and liabilities. The Group's profit rate sensitive assets are mainly Murabaha receivables and assets acquired for leasing. The Group's exposure to profit rate risk is considered to be limited due to the short-term nature of Murabaha receivables and the terms of lease payments for assets acquired for leasing are such that they can be re-priced periodically.

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's management rigorously monitors liquidity requirements on a regular basis to help ensure that sufficient funds are available, including unutilised credit facilities with banks, to meet its liabilities as they fall due.

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The fair values of the Group's financial assets and liabilities are not materially different from their carrying dividends declared and paid by the Group.

20 Subsequent events

There were no significant events subsequent to 31 December 2013 and occurring before the date of signing of the financial statements that would have a significant impact on these consolidated financial statements.