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

Consolidated condensed interim financial information for the three months ended 31 March 2014 (Unaudited)

Reef Real Estate Finance Co. B.S.C. (c)
Financial information for the three months ended 31 March 2014

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Reef Real Estate Finance Co. B.S.C. (c)
Administration and contact details as at 31 March 2014

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	(Chairman)
	Mr Saud Kanoo	(Vice-Chairman)
	Mr Faisal Al Matrook	
	Mr Nasser Abdulhadi Al Gharibah	
	Mr Samer Abbouchi	
	Mr Mohammed Al Dosari	
	Mr Mohamed A.Khaliq	
Chief Executive Officer	Mr Mahmood Al Koofi	
Executive Committee	Mr Faisal Al Matrook	(Chairman)
	Mr Saud Kanoo	
	Mr Nasser Abdulhadi Al Gharibah	
Nomination and remuneration committee	Mr Ali Ahmed Al Baghli	(Chairman)
	Mr Faisal Al Matrook	
	Mr Samer Abbouchi	
Audit Committee	Mr Samer Abbouchi	(Chairman)
	Mr Mohammed Al Dosari	
	Mr. Mohamed A.Khaliq	
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 Al Salam Bank	
Auditors	BDO 17th Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain	

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Review report by the independent auditor to the Board of Directors of Reef Real Estate Finance B.S.C. (c)

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of Reef Real Estate Finance B.S.C. (c) ("the Company") and its subsidiary ("the Group") as at 31 March 2014, the consolidated condensed interim statement of income, the consolidated condensed interim statement of changes in equity, the consolidated condensed interim statement of cash flows for the three months then ended, and selected explanatory notes. The Company's Board of Directors is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions and the Sharia'a Rules and Principles as determined by the Sharia'a Supervisory Advisor of the Company. Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of consolidated condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information does not present fairly, in all material respects, the financial position of the Group as at 31 March 2014, and of its financial performance and its cash flows for the three months then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and the Sharia'a Rules and Principles as determined by the Sharia'a Supervisory Advisor of the Company.

BDO

Manama, Kingdom of Bahrain
24 April 2014

BDO Public Accountants, a Bahraini registered partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO Public Accountants, CR No. 10201, is a wholly owned subsidiary of Jawad Habib & Co.

Reef Real Estate Finance Co. B.S.C. (c)
Consolidated condensed interim statement of financial position as at 31 March 2014
(Unaudited)
(Expressed in Bahraini Dinars)

	Notes	31 March 2014 (Unaudited)	31 December 2013 (Audited)
ASSETS			
Cash and bank balances		1,088,950	1,368,833
Investment securities	3	2,116,335	2,111,508
Mudaraba investments	4	7,595,212	5,850,869
Murabaha financing	5	6,118,475	4,813,008
Ijarah Muntahia Bittamleek and Musharaka	6	5,007,654	7,878,433
Properties-under-development		1,425,997	1,363,397
Investment in real estate	7	3,434,854	3,233,209
Receivables and prepayments	8	1,515,422	1,328,623
Property and equipment		58,723	19,848
Total assets		28,361,622	27,967,728
LIABILITIES AND EQUITY			
Liabilities			
Other liabilities		499,547	510,899
		499,547	510,899
Equity			
Share capital	9	24,042,900	24,042,900
Statutory reserve		1,039,512	1,039,512
Investment property fair value reserve		1,078,825	1,078,825
Charity reserve		2,773	2,770
Retained earnings		1,698,065	1,292,822
		27,862,075	27,456,829
Total liabilities and equity		28,361,622	27,967,728

The unaudited condensed interim financial information, set out on pages 4 to 14, were approved for issue by the Board of Directors on 24 April 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 condensed interim statement of income for the three months ended 31 March 2014
(Unaudited)
(Expressed in Bahraini Dinars)

	Notes	Three months ended 31 March 2014 (Unaudited)	Three months Ended 31 March 2013 (Unaudited)
Income			
Gross Ijarah and Musharaka income		397,342	524,225
Less: Depreciation on Ijarah Muntahia Bittamleek	6	172,558	307,727
		224,784	216,498
Profit from Mudaraba investments		43,956	55,258
Profit from Murabaha financing		213,744	-
Fee income from Ijarah Muntahia Bittamleek and Musharaka financing		6,293	10,325
Rental income from investment in real estate		35,400	34,500
Income from investment securities		10,371	-
Unrealised fair value gain on investment securities		4,827	-
Net foreign exchange gains		73,300	-
Profit on sale of property and equipment		9,500	-
		622,175	316,581
Expenses			
Staff costs		96,553	99,226
Finance costs		-	14,254
General and administrative expenses		70,433	88,392
Depreciation of property and equipment		5,125	4,957
Depreciation on investment in real estate		14,757	133
Allowances and provisions		30,064	65,591
		216,932	272,553
Net profit for the period		405,243	44,028
Basic and diluted earnings per share	10	fils1.7	fils0.2

Reef Real Estate Finance Co. B.S.C. (c)
Consolidated condensed interim statement of changes in equity for the three months ended 31 March 2014
(Unaudited)
(Expressed in Bahraini Dinars)

	Share capital	Statutory reserve	Properties fair value reserve	Charity reserve	Retained earnings	Total
At 31 December 2012 (Audited)	24,042,900	908,652	1,078,825	10,704	1,317,225	27,358,306
Dividend for the year 2012	-	-	-	-	(1,202,145)	(1,202,145)
Charity reserve movement	-	-	-	(7,934)	-	(7,934)
Net profit for the year	-	-	-	-	1,308,602	1,308,602
Transferred to statutory reserve	-	130,860	-	-	(130,860)	-
At 31 December 2013 (Audited)	24,042,900	1,039,512	1,078,825	2,770	1,292,822	27,456,829
Charity reserve movement	-	-	-	3	-	3
Net profit for the period	-	-	-	-	405,243	405,243
At 31 March 2014 (Unaudited)	24,042,900	1,039,512	1,078,825	2,773	1,698,065	27,862,075

Reef Real Estate Finance Co. B.S.C. (c)
Consolidated condensed interim statement of cash flows
for the three months ended 31 March 2014
(Unaudited)
(Expressed in Bahraini Dinars)

	Notes	Three months ended 31 March 2014 (Unaudited)	Three months ended 31 March 2013 (Unaudited)
Operating activities			
Net profit for the period		405,243	44,028
Adjustments for:			
Depreciation on property and equipment		5,125	4,957
Depreciation on Ijarah Muntahia Bittamleek	6	172,558	307,727
Depreciation on investment in real estate		14,757	133
Unrealised fair value gain on investment securities		(4,827)	-
Profit on sale of property and equipment		(9,500)	
Finance costs		-	14,254
Changes in operating assets and liabilities:			
Receivables and prepayments		(186,799)	92,273
Other liabilities		(11,352)	21,444
Net cash provided by operating activities		385,205	484,816
Investing activities			
Net movement in Murabaha financing		(1,305,467)	-
Net movement in properties-under-development		(62,600)	-
Purchase of property and equipment		(44,000)	(1,830)
Addition in investment in real estate	7	(216,402)	-
Net Movement in Mudaraba investments		(1,744,343)	(787,692)
Net movement in Ijarah Muntahia Bittamleek and Musharaka		2,698,221	474,033
Proceeds from sale of property and equipment		9,500	-
Proceeds from sale of investment in real estate		-	110,000
Net cash used in investing activities		(665,091)	(205,489)
Financing activities			
Islamic financing repaid, net		-	(212,654)
Charity reserve movement		3	(1,471)
Finance costs paid		-	(14,254)
Net cash provided by/(used in) financing activities		3	(228,379)
Net (decrease)/increase in cash and cash equivalents		(279,883)	50,948
Cash and cash equivalents, beginning of the period		1,368,833	559,012
Cash and cash equivalents, end of the period		1,088,950	609,960

1 Organisation and principal activities

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

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.

2 Basis of preparation

The condensed interim financial information have been prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). However, in accordance with the requirements of AAOIFI, for matters for which no AAOIFI standards exist, the Company uses the relevant International Financial Reporting Standards ("IFRS").

Therefore, in the absence of relevant standards in AAOIFI relating interim financial statements, the guidance from International Accounting Standard 34 - "Interim Financial Reporting" is used in preparation of these interim condensed consolidated financial information for quarter ended 31 March 2014. The condensed interim financial information should therefore be read in conjunction with the annual audited financial statements of the Company for the year ended 31 December 2013.

These financial statements have been prepared under the historical cost convention, modified by the valuation of investment in real estate and investment securities which are measured at their fair values.

The functional and presentation currency of the Company is Bahrain Dinars (BD).

The structure of the Group is as follows:

Subsidiaries

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership Interest 2014	Effective ownership interest 2013
First Reef B.S.C. (c)*	Kingdom of Bahrain	Buying and selling of properties	99.9%	99.9%
Reef Investment UK B.S.C (c)	Kingdom of Bahrain	To Issue Funds	99.9%	99.9%

3 Investment securities

Investment at fair value through statement of income	31 March 2014 (Unuudited)	31 December 2013 (Audited)
Investment in equity-type instruments - Unquoted	1,360,157	1,360,157
Investment in debt-type instruments- Quoted	756,178	751,351
	2,116,335	2,111,508

Investment in debt-type instruments

	31 March 2014 (Unuudited)	31 December 2013 (Audited)
Opening balance	751,351	-
Additions during the period/year	-	751,351
Add: Unrealised fair value gain for the period/year	4,827	-
	756,178	751,351

4 Mudaraba investments

	31 March 2014 (Unaudited)	31 December 2013 (Audited)
Ithmaar Bank	4,500,000	2,500,000
Ahli United Bank	526,400	524,390
Khaleeji Commercial Bank	68,812	68,812
BMI Bank	1,500,000	-
Al Salam Bank	1,000,000	-
Kuwait Finance House	-	1,500,000
Bahrain Islamic Bank	-	507,667
Al-Baraka Islamic Bank	-	750,000
	7,595,212	5,850,869

Mudaraba investments represent amounts placed with financial institutions. Profit from Mudaraba investments are recognised over the period of the related investment.

5 Murabaha financing

		31 March 2014 (Unaudited)	31 December 2013 (Audited)
Amwaj Property Limited (APL)	(a)	3,188,700	3,188,700
Amwaj Property Limited (APL) - Mezzanine	(b)	-	596,233
Amwaj Property Limited (APL) - Mezzanine 2	(c)	1,901,700	
Omniyat Properties Six Limited	(d)	1,028,075	1,028,075
		6,118,475	4,813,008

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 Mezzanine with Amwaj Property Limited (APL) is unsecured, bears a compounded quarterly profit of 12.5% per annum and was paid on 29 January 2014.

c) The Murabaha financing Mezzanine 2 with Amwaj Property Limited (APL) is unsecured, bears a compounded quarterly profit of 12.5% per annum and is expected to be repaid on 29 January 2015.

d) 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.

6 Ijarah Muntahia Bittamleek

	Land	Buildings	Total
Cost			
At 31 December 2012	4,753,954	14,201,690	18,955,644
Additions during the year	-	154,215	154,215
Payment received/disposals during the year	(1,679,685)	(3,292,267)	(4,971,952)
At 31 December 2013	3,074,269	11,063,638	14,137,907
Payment received/disposals during the period	(2,083,560)	(1,059,779)	(3,143,339)
At 31 March 2014	990,709	10,003,859	10,994,568
Depreciation			
At 31 December 2012	-	(6,377,870)	(6,377,870)
Charged for the year	-	(1,196,218)	(1,196,218)
Disposals during the year	-	1,752,886	1,752,886
At 31 December 2013	-	(5,821,202)	(5,821,202)
Charged for the period	-	(172,558)	(172,558)
Disposals during the period	-	445,118	445,118
At 31 March 2014	-	(5,548,642)	(5,548,642)
Impairment provision			
At 31 December 2012	(5,071)	(313,201)	(318,272)
Increase in provision	-	(120,000)	(120,000)
At 31 December 2013 & 31 March 2014	(5,071)	(433,201)	(438,272)
Net book value			
At 31 March 2014 (unaudited)	985,638	4,022,016	5,007,654
At 31 December 2013 (audited)	3,069,198	4,809,235	7,878,433

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 March 2014 have lease terms of up to 20 years.

7 Investment in real estate

	Investment properties for capital appreciation	Investment properties for periodical consideration	Total
Cost/Revalued			
As at 31 December 2012	502,297	2,857,760	3,360,057
Additions during the year	376,208	435	376,643
Disposals	(502,297)	-	(502,297)
As at 31 December 2013	376,208	2,858,195	3,234,403
Additions during the period	216,402	-	216,402
As at 31 March 2014	592,610	2,858,195	3,450,805
Depreciation			
As at 31 December 2012	-	656	656
Charge for the year	-	538	538
As at 31 December 2013	-	1,194	1,194
Adjustment	-	13,138	13,138
Charge for the period	-	1,619	1,619
As at 31 March 2014	-	15,951	15,951
Net book value			
At 31 March 2014 (unaudited)	592,610	2,842,244	3,434,854
At 31 December 2013 (audited)	376,208	2,857,001	3,233,209

Although the investments in real estate carried at their fair values for periodical consideration isinclude net book value of furniture & fixtures of BD16,433 (2013: BD31,190) which have been depreciated over their useful life.

8 Receivables and prepayments

	31 March 2014 (Unaudited)	31 December 2013 (Audited)
Ijarah Muntahia Bittamleek rental receivables	577,735	733,011
Allowance for doubtful Ijarah Muntahia Bittamleek rental receivables	(466,881)	(606,654)
Other receivables	767,136	731,365
Allowance for other receivables	(476,936)	(476,036)
Accrued profit on Murabaha financing	1,076,426	916,968
Accrued profit on Mudaraba investments	37,942	29,969
	1,515,422	1,328,623

9 Share capital

	31 March 2014 (Unaudited)	31 December 2013 (Audited)
Authorised		
400,000,000 (2013: 400,000,000) ordinary shares of 100 Fils each	40,000,000	40,000,000
Issued and fully paid-up		
240,429,000 (2013: 240,429,000) ordinary shares of 100 Fils each	24,042,900	24,042,900

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

10 Earnings per share

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

	Three months ended 31 March 2014 (Unaudited)	Three months ended 31 March 2013 (Unaudited)
Net profit attributable to the shareholders	BD405,243	BD44,028
Weighted average number of ordinary shares	240,429,000	240,429,000
Basic and diluted earnings per share	Fils1.7	fils0.2

11 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:

		For the period ended transaction amount		Amounts due from related parties	
Related party relationship	Transaction type	31 March 2014 (Unaudited)	31 March 2013 (Unaudited)	31 March 2014 (Unaudited)	31 December 2013 (Audited)
Shareholders and their immediate family members	Ijarah Muntahia Bittamleek	301,826	734,914	89,267	127,353

12 Interim financial information

The interim net profit for the three months ended 31 March 2014 may not represent a proportionate share of the annual net income due to the variability in the receipt of income.