

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

Consolidated condensed interim
financial information for the quarter and
the six months ended 30 June 2015
(Unaudited)

Reef Real Estate Finance Co. B.S.C. (c)
Financial information for the quarter and the six months ended 30 June 2015

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Reef Real Estate Finance Co. B.S.C. (c)
Administration and contact details as at 30 June 2015

| | | |
|----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| 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 Abdulla Isa Mr Waleed Al Kaja Mr Mohamed A.Khaliq (Till 26 March 2015) | (Chairman) (Vice-Chairman) |
| Chief Executive Officer | Mr Mahmood Al Koofi | |
| Executive Committee | Mr Faisal Al Matrook Mr Nasser Abdulhadi Al Gharibah Mr Samer Abbouchi | (Chairman) |
| Nomination and remuneration committee | Mr Ali Ahmed Al Baghli Mr Saud Kanoo Mr Faisal Al Matrook | (Chairman) |
| Audit Committee | Mr Saud Kanoo Mr Mohammed Abdulla Isa Mr Waleed Al Kaja Mr Mohamed A.Khaliq (Till 26 March 2015) | (Chairman) |
| Sharia'a Supervisory Advisor | Shaikh Dr. Osama Bahar | |
| Registered office | YBA Kanoo Tower Flat 114, Building 155 Road 1703, Block 317 PO Box 18599 Diplomatic Area, Manama Kingdom of Bahrain | |
| Bankers | Ithmaar Bank Ahli United Bank Kuwait Finance House Al Baraka Islamic Bank Khaleeji Commercial Bank BMI Bank Al Salam Bank Citi Bank | |
| Auditors | BDO 17 th Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain | |

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 subsidiaries ("the Group") as at 30 June 2015, the consolidated condensed interim statement of income, the consolidated condensed interim statement of comprehensive income, the consolidated condensed interim statement of changes in Owners' equity, the consolidated condensed interim statement of cash flows for the quarter and the six 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 30 June 2015, and of its financial performance and its cash flows for the quarter and the six 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.

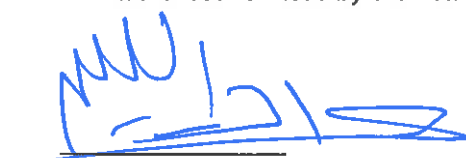


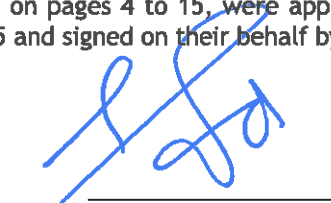
Manama, Kingdom of Bahrain
14 July 2015

Reef Real Estate Finance Co. B.S.C. (c)
 Consolidated condensed interim statement of financial position as at 30 June 2015
 (Unaudited)
 (Expressed in Bahraini Dinars)

| | Notes | 30 June 2015 (Unaudited) | 31 December 2014 (Audited) |
|---------------------------------------------|-------|--------------------------------|----------------------------------|
| ASSETS | | | |
| Cash and bank balances | | 1,336,231 | 1,693,092 |
| Investment securities | 3 | 7,511,304 | 6,001,439 |
| Mudaraba investments | 4 | 5,065,980 | 4,568,812 |
| Murabaha financing | 5 | 6,025,166 | 5,976,938 |
| Ijarah Muntahia Bittamleek and Musharaka | 6 | 2,600,561 | 3,645,072 |
| Properties-under-development | | 405,545 | 1,529,920 |
| Investment in real estate | 7 | 2,720,886 | 3,214,889 |
| Receivables and prepayments | 8 | 2,427,137 | 2,367,025 |
| Property and equipment | | 50,466 | 66,802 |
| Total assets | | <u>28,143,276</u> | <u>29,063,989</u> |
| LIABILITIES AND OWNERS' EQUITY | | | |
| Liabilities | | | |
| Other liabilities | | 613,119 | 501,215 |
| Owners' Equity | | | |
| Share capital | 9 | 24,042,900 | 24,042,900 |
| Statutory reserve | | 1,150,154 | 1,150,154 |
| Properties fair value reserve | | 1,035,131 | 1,078,825 |
| Charity reserve | | 7,586 | 2,294 |
| Retained earnings | | 2,496,531 | 2,288,601 |
| Treasury shares | 9 | (1,202,145) | - |
| | | <u>27,530,157</u> | <u>28,562,774</u> |
| Total liabilities and Owners' equity | | <u>28,143,276</u> | <u>29,063,989</u> |

The unaudited condensed interim financial information, set out on pages 4 to 15, were approved and authorised for issue by the Board of Directors on 14 July 2015 and signed on their behalf by:


 Ali Ahmed Al Baghli
 Chairman


 Saud Kanoo
 Vice Chairman

Reef Real Estate Finance Co. B.S.C. (c)
Consolidated condensed interim statement of income for the six months ended 30 June 2015
(Unaudited)
(Expressed in Bahraini Dinars)

| | Notes | Six months ended 30 June 2015 | Six months ended 30 June 2014 | Quarter ended 30 June 2015 | Quarter ended 30 June 2014 |
|-------------------------------------------------------------|-------|----------------------------------|----------------------------------|-------------------------------|-------------------------------|
| Income | | | | | |
| Gross Ijarah and Musharaka revenue | | 523,942 | 705,898 | 220,052 | 308,556 |
| Less: Depreciation on Ijarah Muntahia Bittamleek | 6 | <u>228,448</u> | <u>333,639</u> | <u>105,586</u> | <u>161,081</u> |
| | | 295,494 | 372,259 | 114,466 | 147,475 |
| Profit from Mudaraba investments | | 39,096 | 89,463 | 16,621 | 45,507 |
| Profit from Murabaha financing | | 301,343 | 449,964 | 92,098 | 236,220 |
| Fees income from Ijarah Muntahia Bittamleek | | 16,468 | 11,328 | 3,897 | 5,035 |
| Rental income from investment in real estate | | 79,090 | 81,200 | 38,585 | 45,800 |
| Income from investment securities | | 123,372 | 33,756 | 63,882 | 23,385 |
| Net foreign exchange gains | | 75,787 | 117,498 | 418,155 | 44,198 |
| Gain on sale of investment in real estate | | 87,076 | - | 15,255 | - |
| Gain on sale of property-under-development | | 108,606 | - | 108,606 | - |
| Allowance no longer required for Ijarah Muntahia Bittamleek | | 50,876 | - | 15,000 | - |
| Gain on sale of property and equipment | | - | 9,500 | - | - |
| Unrealised fair value gain on investment securities | | <u>14,945</u> | <u>14,945</u> | <u>14,945</u> | <u>10,118</u> |
| | | <u>1,177,208</u> | <u>1,179,913</u> | <u>886,565</u> | <u>557,738</u> |
| Expenses | | | | | |
| Staff costs | | 227,484 | 204,198 | 123,231 | 107,645 |
| General and administrative expenses | | 199,258 | 172,430 | 116,342 | 101,997 |
| Depreciation of property and equipment | | 16,920 | 12,388 | 8,470 | 7,263 |
| Depreciation on investment in real estate | | 3,385 | 16,381 | 1,692 | 1,624 |
| Investment fees & charges | | - | 14,796 | - | 14,796 |
| Unrealised fair value loss on investment securities | | 1,605 | - | 11,039 | - |
| Allowances and provisions | | <u>6,704</u> | <u>56,162</u> | <u>2,202</u> | <u>26,098</u> |
| | | <u>455,356</u> | <u>476,355</u> | <u>262,976</u> | <u>259,423</u> |
| Net profit for the period | | <u>721,852</u> | <u>703,558</u> | <u>623,589</u> | <u>298,315</u> |
| Basic and diluted earnings per share | 10 | <u>Fils3.16</u> | <u>fils2.93</u> | <u>fils2.73</u> | <u>Fils1.24</u> |

Reef Real Estate Finance Co. B.S.C. (c)
 Consolidated condensed interim statement of comprehensive income
 for the six months ended 30 June 2015
 (Unaudited)
 (Expressed in Bahraini Dinars)

| | Six months ended <u>30 June 2015</u> | Six months ended <u>30 June 2014</u> | Quarter ended <u>30 June 2015</u> | Quarter ended <u>30 June 2014</u> |
|----------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|-----------------------------------------|-----------------------------------------|
| Net profit for the period | 721,852 | 703,558 | 623,589 | 298,315 |
| Other comprehensive income | | | | |
| Items that will or may be reclassified to profit or loss: | | | | |
| <i>Realised gain on the sale of investment in real estate</i> | <u>(43,694)</u> | <u>-</u> | <u>(43,694)</u> | <u>-</u> |
| Other comprehensive gain for the period | <u>(43,694)</u> | <u>-</u> | <u>(43,694)</u> | <u>-</u> |
| Total comprehensive income for the period | <u>678,158</u> | <u>703,558</u> | <u>579,895</u> | <u>298,315</u> |

Reef Real Estate Finance Co. B.S.C. (c)
 Consolidated condensed interim statement of changes in Owners' equity for the six months ended 30 June 2015
 (Unaudited)
 (Expressed in Bahraini Dinars)

| | Share capital | Treasury shares | Statutory reserve | Properties fair value reserve | Charity reserve | Retained earnings | Total |
|-------------------------------------------|---------------|-----------------|-------------------|-------------------------------|-----------------|-------------------|-------------|
| 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 | - | - | - | - | 7 | - | 7 |
| Net profit for the period | - | - | - | - | - | 703,558 | 703,558 |
| At 30 June 2014 (Unaudited) | 24,042,900 | - | 1,039,512 | 1,078,825 | 2,777 | 1,996,380 | 28,160,394 |
| At 31 December 2014 (Audited) | 24,042,900 | - | 1,150,154 | 1,078,825 | 2,294 | 2,288,601 | 28,562,774 |
| Treasury shares purchased | - | (1,202,145) | - | - | - | - | (1,202,145) |
| Dividend paid during the period | - | - | - | - | - | (513,922) | (513,922) |
| Charity reserve movement | - | - | - | - | 5,292 | - | 5,292 |
| Total comprehensive income for the period | - | - | - | (43,694) | - | 721,852 | 678,158 |
| At 30 June 2015 (Unaudited) | 24,042,900 | (1,202,145) | 1,150,154 | 1,035,131 | 7,586 | 2,496,531 | 27,530,157 |

Reef Real Estate Finance Co. B.S.C. (c)
Consolidated condensed interim statement of cash flows
for the six months ended 30 June 2015
(Unaudited)
(Expressed in Bahraini Dinars)

| | Notes | Six months ended 30 June <u>2015</u> (Unaudited) | Six months ended 30 June <u>2014</u> (Unaudited) |
|------------------------------------------------------------------|-------|--------------------------------------------------------------|--------------------------------------------------------------|
| Operating activities | | | |
| Net profit for the period | | 721,852 | 703,558 |
| Adjustments for: | | | |
| Depreciation on property and equipment | | 16,920 | 12,388 |
| Depreciation on Ijarah Muntahia Bittamleek | 6 | 228,448 | 333,639 |
| Depreciation on investment in real estate | 7 | 3,385 | 16,381 |
| Unrealised fair value loss/(gain) on investment securities | 3 | 1,605 | (14,945) |
| Gain on sale of property and equipment | | - | (9,500) |
| Foreign exchange gain on translation of investment in securities | 3 | (3,417) | - |
| Gain on sale of investment in real estate | | (87,076) | - |
| Gain on the sale of property under development | | (108,606) | - |
| Changes in operating assets and liabilities: | | | |
| Receivables and prepayments | | (60,112) | (409,249) |
| Other liabilities | | <u>111,904</u> | <u>7,430</u> |
| Net cash provided by operating activities | | <u>824,903</u> | <u>639,702</u> |
| Investing activities | | | |
| Net movement in Murabaha financing | | (48,228) | (996,120) |
| Net movement in properties-under-development | | (53,000) | (93,687) |
| Purchase of property and equipment | | (584) | (62,257) |
| Additions in investment securities | 3 | (1,508,053) | (1,931,139) |
| Addition in investment in real estate | | - | (219,612) |
| Net Movement in Mudaraba investments | | (497,168) | (1,349,728) |
| Net movement in Ijarah Muntahia Bittamleek and Musharaka | | 816,063 | 2,982,454 |
| Proceeds from sale of property-under-development | | 1,285,981 | - |
| Proceeds from sale of property and equipment | | - | 9,500 |
| Proceeds from sale of investment in real estate | | <u>534,000</u> | <u>-</u> |
| Net cash provided by/(used in) investing activities | | <u>529,011</u> | <u>(1,660,589)</u> |
| Financing activities | | | |
| Purchase of treasury shares | | (1,202,145) | - |
| Charity reserve movement | | 5,292 | 7 |
| Dividend paid during the year | | <u>(513,922)</u> | <u>-</u> |
| Net cash (used in)/provided by financing activities | | <u>(1,710,775)</u> | <u>7</u> |
| Net decrease in cash and cash equivalents | | (356,861) | (1,020,880) |
| Cash and cash equivalents, beginning of the period | | <u>1,693,092</u> | <u>1,368,833</u> |
| Cash and cash equivalents, end of the period | | <u>1,336,231</u> | <u>347,953</u> |

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 the quarter and the six months ended 30 June 2015. 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 2014.

These financial statements have been prepared using going concern assumption 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

| <u>Name of subsidiary</u> | <u>Country of incorporation</u> | <u>Principal activities</u> | <u>Effective ownership Interest 2015</u> | <u>Effective ownership interest 2014</u> |
|------------------------------|---------------------------------|----------------------------------|------------------------------------------|------------------------------------------|
| 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% |

Reef Real Estate Finance Co. B.S.C. (c)
 Selected explanatory notes to the consolidated condensed interim financial information
 for the quarter and the six months ended 30 June 2015
 (Unaudited)
 (Expressed in Bahraini Dinars)

3 Investment securities

| | 30 June 2015 (Unaudited) | 31 December 2014 (Audited) |
|----------------------------------------------------------------------|--------------------------------|----------------------------------|
| Opening balance | 6,001,439 | 2,111,508 |
| Additions | 1,508,053 | 3,935,665 |
| Foreign exchange gain/(loss) on translation of investment securities | 3,417 | (2,040) |
| Unrealised fair value loss for the period | <u>(1,605)</u> | <u>(43,694)</u> |
| | <u>7,511,304</u> | <u>6,001,439</u> |

| | 30 June 2015 (Unaudited) | 31 December 2014 (Audited) |
|--------------------------------------------------|--------------------------------|----------------------------------|
| Investment in equity-type instruments - Unquoted | | |
| <i>Equity investments</i> | 355,677 | 352,260 |
| <i>Private investments</i> | 2,516,766 | 2,508,713 |
| Investment in debt-type instruments- Quoted | <u>4,638,861</u> | <u>3,140,466</u> |
| | <u>7,511,304</u> | <u>6,001,439</u> |

Investment - securities-wise analysis:

| | 30 June 2015 (Unaudited) | 31 December 2014 (Audited) |
|---------------------------------------------------|--------------------------------|----------------------------------|
| <i>Equity-type instruments</i> | | |
| Amwaj Property Limited | 355,677 | 352,260 |
| Manazel Qurtoba 2 fund (a) | 1,008,713 | 1,008,713 |
| Jenina Real Estate Development Co. Ltd (b) | <u>1,508,053</u> | <u>1,500,000</u> |
| | 2,872,443 | 2,860,973 |
| <i>Debt-type instruments</i> CBB sukuk (c) | <u>4,638,861</u> | <u>3,140,466</u> |
| | <u>7,511,304</u> | <u>6,001,439</u> |

- (a) 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.
- (b) During the year 2014, the Group has invested BD1,508,053 in Sky palaces project, Business Bay Dubai through an SPV "Jenina Real Estate Development Co. Ltd".
- (c) During the period 2015, the Group has invested BD1,500,000 in acquiring units Government Islamic Leasing Sukuk-Issue 22 (GILS22.SUK) due in 2025. The Group total investment in Sukuk "CBB international Sukuk" floated by the Central Bank of Bahrain amounting to BD3,071,361 (2013: BD3,140,466). These units are listed. The Group has fair valued the Sukuks at 30 June 2015 and the recorded net loss of BD1,605 in the consolidated statement of income.

Reef Real Estate Finance Co. B.S.C. (c)
 Selected explanatory notes to the consolidated condensed interim financial information
 for the quarter and the six months ended 30 June 2015
 (Unaudited)
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3 Investment securities (continued)

Investment securities are denominated in the following currencies:

| Currency | <u>2015</u> (Unaudited) | <u>2014</u> (Audited) |
|-----------------------|----------------------------|--------------------------|
| Great Britain Pounds | 355,677 | 352,260 |
| United States Dollars | 3,071,361 | 3,140,466 |
| Saudi Riyals | 1,008,713 | 1,008,713 |
| Arab Emirates Dirhams | 1,508,053 | 1,500,000 |
| Bahraini Dinars | <u>1,567,500</u> | <u>-</u> |
| | <u>7,511,304</u> | <u>6,001,439</u> |

4 Mudaraba investments

| | <u>30 June</u> <u>2015</u> (Unaudited) | <u>31 December</u> <u>2014</u> (Audited) |
|--------------------------|----------------------------------------------|------------------------------------------------|
| Ithmaar Bank | 5,000,000 | 2,500,000 |
| Al Salam Bank | - | 2,000,000 |
| Khaleeji Commercial Bank | <u>65,980</u> | <u>68,812</u> |
| | <u>5,065,980</u> | <u>4,568,812</u> |

Mudaraba investments represent amounts placed with financial institutions, which have maturity periods ranging between 90 days to 150 days, and earn market rates of profit receivable on maturity.

5 Murabaha financing

| | | <u>30 June</u> <u>2015</u> (Unaudited) | <u>31 December</u> <u>2014</u> (Audited) |
|--------------------------------------------|-----|----------------------------------------------|------------------------------------------------|
| Amwaj Property Limited (APL) | (a) | 3,201,092 | 3,170,340 |
| Amwaj Property Limited (APL) - Mezzanine 2 | (b) | 1,795,999 | 1,778,523 |
| Omniyat Properties Six Limited | (c) | <u>1,028,075</u> | <u>1,028,075</u> |
| | | <u>6,025,166</u> | <u>5,976,938</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 expected to be received on 15 March 2016. The accrued profit on murabaha financing with Amwaj Property Limited (APL) for the six months period amounting to BD110,852 (2014: 267,535).
- b) The Murabaha financing Mezzanine 2 with Amwaj Property Limited (APL) is unsecured, bears a compounded quarterly profit of 12.5% per annum. The accrued profit on murabaha financing with Amwaj Property Limited (APL) for the six months period amounting to BD114,019 (2014: 101,011).
- c) The Omniyat Properties Six Limited (OPUS Project) is secured, bears a profit of 15% per annum and is expected to be received at the end of two and half years from the date of investment i.e. 16 June 2013. This project is based in Dubai, UAE. The accrued profit on murabaha financing with Omniyat Properties Six Limited for the six months period amounting to BD76,472 (2014: BD76,472).

Reef Real Estate Finance Co. B.S.C. (c)
 Selected explanatory notes to the consolidated condensed interim financial information
 for the quarter and the six months ended 30 June 2015
 (Unaudited)
 (Expressed in Bahraini Dinars)

6 Ijarah Muntahia Bittamleek

| | <u>Land</u> | <u>Buildings</u> | <u>Total</u> |
|----------------------------------------------|--------------------|--------------------|--------------------|
| Cost | | | |
| At 31 December 2013 | 3,074,269 | 11,063,638 | 14,137,907 |
| Additions* | 44,975 | - | 44,975 |
| Payment received/disposals | <u>(2,698,270)</u> | <u>(1,778,894)</u> | <u>(4,477,164)</u> |
| At 31 December 2014 (Audited) | 420,974 | 9,284,744 | 9,705,718 |
| Additions* | - | 37,439 | 37,439 |
| Payment received/disposals during the period | <u>(322,690)</u> | <u>(1,116,725)</u> | <u>(1,439,415)</u> |
| At 30 June 2015 (Unaudited) | <u>98,284</u> | <u>8,205,458</u> | <u>8,303,742</u> |
| Depreciation | | | |
| At 31 December 2013 | - | (5,821,202) | (5,821,202) |
| Charged for the year | - | (641,628) | (641,628) |
| Disposals | <u>-</u> | <u>840,456</u> | <u>840,456</u> |
| At 31 December 2014 (Audited) | - | (5,622,374) | (5,622,374) |
| Charged for the period | - | (228,448) | (228,448) |
| Disposals during the period | <u>-</u> | <u>555,913</u> | <u>555,913</u> |
| At 30 June 2015 (Unaudited) | <u>-</u> | <u>(5,294,909)</u> | <u>(5,294,909)</u> |
| Impairment provision | | | |
| At 31 December 2014 (Audited) | (5,071) | (433,201) | (438,272) |
| Provision no longer required | <u>-</u> | <u>30,000</u> | <u>30,000</u> |
| At 30 June 2015 (Unaudited) | <u>(5,071)</u> | <u>(403,201)</u> | <u>(408,272)</u> |
| Net book value | | | |
| At 30 June 2015 (Unaudited) | <u>93,213</u> | <u>2,507,348</u> | <u>2,600,561</u> |
| At 31 December 2014 (Audited) | <u>415,903</u> | <u>3,229,169</u> | <u>3,645,072</u> |

*Additions relate to rescheduling of loan deals. During the year, a loan deal was rescheduled (2014: one loan deal was rescheduled).

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 30 June 2015 have lease terms of up to 19 years.

Reef Real Estate Finance Co. B.S.C. (c)
 Selected explanatory notes to the consolidated condensed interim financial information
 for the quarter and the six months ended 30 June 2015
 (Unaudited)
 (Expressed in Bahraini Dinars)

7 Investment in real estate

| | Investment properties for capital appreciation | Investment properties for periodical consideration | Total |
|--------------------------------|---------------------------------------------------------|-------------------------------------------------------------|------------------|
| Cost/Revalued | | | |
| As at 31 December 2013 | 376,208 | 2,858,195 | 3,234,403 |
| Additions during the year | 420,402 | 1,447 | 421,849 |
| Disposals | (420,402) | - | (420,402) |
| As at 31 December 2014 | 376,208 | 2,859,642 | 3,235,850 |
| Disposals | (376,208) | (114,410) | (490,618) |
| As at 30 June 2015 | - | <u>2,745,232</u> | <u>2,745,232</u> |
| Depreciation | | | |
| As at 31 December 2013 | - | 1,194 | 1,194 |
| Charge for the year | - | <u>19,767</u> | <u>19,767</u> |
| As at 31 December 2014 | - | 20,961 | 20,961 |
| Charge for the period | - | <u>3,385</u> | <u>3,385</u> |
| As at 30 June 2015 | - | <u>24,346</u> | <u>24,346</u> |
| Net book value | | | |
| As at 30 June 2015 (Unaudited) | - | <u>2,720,886</u> | <u>2,720,886</u> |
| At 31 December 2014 (Audited) | <u>376,208</u> | <u>2,838,681</u> | <u>3,214,889</u> |

Although the investments in real estate carried at their fair values for periodical consideration include net book value of furniture & fixtures of BD9,485 (2014: BD12,870) which have been depreciated over their useful life.

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8 Receivables and prepayments

| | 30 June 2015 <u>(Unaudited)</u> | 31 December 2014 <u>(Audited)</u> |
|----------------------------------------------------------------------|---------------------------------------|-----------------------------------------|
| Ijarah Muntahia Bittamleek rental receivables | 343,738 | 372,684 |
| Allowance for doubtful Ijarah Muntahia Bittamleek rental receivables | <u>(270,721)</u> | <u>(286,693)</u> |
| | 73,017 | 85,991 |
| Other receivables | 866,483 | 837,343 |
| Allowance for other receivables | <u>(391,673)</u> | <u>(389,873)</u> |
| | 474,810 | 447,470 |
| Prepayments | 13,872 | 24,753 |
| Accrued arrangement fee on Murabaha financing | 32,011 | 31,699 |
| Accrued profit on investment in sukuk | 55,663 | 18,728 |
| Accrued profit on Murabaha financing | 1,770,872 | 1,742,980 |
| Accrued profit on Mudaraba investments | <u>6,892</u> | <u>15,404</u> |
| | <u>2,427,137</u> | <u>2,367,025</u> |

9 Share capital

| | 30 June 2015 <u>(Unaudited)</u> | 31 December 2014 <u>(Audited)</u> |
|---------------------------------------------------------------------|---------------------------------------|-----------------------------------------|
| Authorised | | |
| 400,000,000 (2014: 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 (2014: 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.

Treasury Shares:

The Owners had decided in the Annual General Meeting held on 24 April 2014 to purchase 12,021,450 shares of 100 Fils each, amounting to BD1,202,145, which represents 5% of the share capital. The Group had obtained the approval from the Ministry of Industry and Commerce on 28 May 2014 and from the Central Bank of Bahrain on 2 July 2014. During the period, the Group transferred the treasury shares amounting to BD1,121,105 and is still in the process of transferring the remaining shares.

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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 during the period.

| | Six months ended 30 June 2015 | Six months ended 30 June 2014 | Quarter ended 30 June 2015 | Quarter ended 30 June 2014 |
|--------------------------------------------------|----------------------------------|----------------------------------|-------------------------------|-------------------------------|
| Profit attributable to the shareholders | <u>721,852</u> | <u>703,558</u> | <u>623,589</u> | <u>298,315</u> |
| Number of ordinary shares net of treasury shares | <u>228,407,550</u> | <u>240,429,000</u> | <u>228,407,550</u> | <u>240,429,000</u> |
| Basic and diluted earnings per share | <u>fils3.16</u> | <u>fils2.93</u> | <u>fils2.73</u> | <u>Fils1.24</u> |

The Group does not have any potentially dilutive ordinary shares hence the diluted earnings and basic earnings per share are identical.

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 at arm's length and 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 period ended transaction amount | | Amounts due from related parties | |
|-------------------------------------------------|----------------------------|-----------------------------------------|-----------------------------|----------------------------------|-------------------------------|
| | | 30 June 2015 (Unaudited) | 30 June 2014 (Unaudited) | 30 June 2015 (Unaudited) | 31 December 2014 (Audited) |
| Shareholders and their immediate family members | Ijarah Muntahia Bittamleek | <u>182,540</u> | <u>301,826</u> | <u>23,080</u> | <u>35,669</u> |

12 Interim financial information

The interim net profit for the six months ended 30 June 2015 may not represent a proportionate share of the annual net income due to the variability in the receipt of income.

13 Subsequent events

There were no significant events subsequent to 30 June 2015 and occurring before the date of the report that has a significant impact on these financial statements.