



Annual Report 2015

365 Days of Development

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His Royal Highness Prince
Khalifa Bin Salman Al Khalifa

The Prime Minister



His Majesty King
Hamad Bin Isa Al Khalifa

The King of Kingdom of Bahrain



His Royal Highness Prince
Salman Bin Hamad Al Khalifa

The Crown Prince and Deputy
Supreme Commander
and First Deputy Prime Minister

Vision, Mission Statement & Our Values

VISION

Reef is the premier financing house in the Kingdom of Bahrain, differentiated by its superiority in providing tailormade financing solutions, quality customer service and respect to strategic partners.



MISSION STATEMENT

We:

- Extend financing facilities to customers residing in the GCC for their real estate and other personal investments in the Kingdom of Bahrain;
- Make certain that our products fit and address the needs of individual customers;
- Share risks with our customers by offering Islamic Shar'ia compliance products;
- Provide simple, flexible and reliable processes to make sure best turn-around times;
- Select dependable strategic partners that add value and provide opportunities to our customers;
- Make every effort to provide unmatched customer service by ensuring that our staff are continuously trained and motivated with a smile and pleasure.

OUR VALUES

Reef believes in value rich business. Everything we do and say is inspired by our beliefs and principles - we translate these concepts into development initiatives and programs.

Inspiring Excellence

Our dedication to quality is evident in all we do - from products and services to processes. Our employees are enlightened and empowered to embody excellence and inspire it around them.

Partnership

We believe the greatest and most durable results are achieved through partnership and value sharing across sectors and on all levels.

Innovation and Originality

As a sector catalyst we are committed to an innovative business approach – whether in designing products and services or responding to opportunities with the flexibility to realize the greatest results.

Accomplishment

Our commitment to accomplishment is based on effective goal implementation. We are driven to be the 'best of breed' – and dedicate ourselves to realizing every goal we set.

Chairman's Message

"Dear shareholders, inspite of all difficulties, our Company has maintained a reasonable level of profitability over the past years and was able to reduce the operational cost and general expenses especially the allowances and provisions"



Ali Ahmed Al Baghli
Chairman of the Board of Directors



In the name of Allah, All-Merciful, the Mercy-Giving
And may peace and prayers be upon our Prophet Muhammad, and on all his family and companions

Dear valued shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report of Reef Real Estate Finance Company for the financial year ended 31 December 2015.

The year 2015 was a challenging year for the Company after the real estate finance portfolio continued its drop to unparalleled levels as a result

of the downturn in the real estate market and the increased competition from the commercial banks operating in the Kingdom which were able - due to their capacity to provide low liquidity cost - to enter the competition aggressively in order to attract the largest number of new customers as well as attracting existing customers who often transferred from banks and other finance companies for the reason of the lower interest on financing which reached to exceptional low levels.

During this difficult time and the current economic and political circumstances, the Executive Management with the full support of the Board of Directors aimed to continue serving the existing customers in the finance portfolio, and at the same time, the Company continued utilizing the available liquidity into new investment projects which are carefully selected and evaluated.

As for the financial results of the Company for the year 2015, the Company has achieved a net profit of 618 Thousand Bahraini Dinars for the year ended 31 December 2015, despite the decline in the Company's finance portfolio, as the portfolio of "Ijarah Muntahia Bittamleek" witnessed a decrease of 38% compared to the portfolio size at the same period of last year due to the number of early settlements and the availability of low-priced alternatives offered by the commercial banks as mentioned above. Losses from translating foreign currency exchange recorded more than 85% increase compared to last year as a direct result of the decline in the pound sterling exchange rate.

Despite the decline in the net profit to nearly 44% compared to the same period of 2014. These are interim losses and the decline was not resulted from a decrease in the Company's operations, but it is mainly due to the losses in foreign exchange translation and the losses from the unrealized change in the fair valuation of investments which is understandable if we take into consideration the current circumstances.

Dear shareholders, inspite of all difficulties, our Company has maintained a reasonable level of profitability over the past years and was able to reduce the operational cost and general expenses especially the allowances and provisions. We are very optimistic and positively look to improve the Company's financial position and profitability for year 2016 where it is expected to realize profits from our investments and that will give us the opportunity to boost Company's operations in both financing and investment.

Furthermore, the Company is in the process of evaluating some of investment projects in the Kingdom of Bahrain and abroad, noting that the Board of Directors through its committees and the expertise particularly in the real estate investment field has been actively involved in taking strategic investment decisions across the Kingdom of Bahrain, United Kingdom, United Arab Emirates and Kingdom of Saudi Arabia in addition to investing in Islamic Sukuk issued by the Kingdom

of Bahrain which are considered as liquid as cash and offering returns greater than the Mudaraba investments in placed with local banks.

In order to preserve shareholders interest and rights, we will continue with the Company's conservative approach and will serve our existing and new clients in the best possible manner while focusing on increasing the shareholders' return on capital by investing in selected projects of low risk but high returns.

Please allow me to welcome the new members Board of Directors elected at the last General Assembly Meeting. The Board now includes a selective of elite leaders known for their proficiency and expertise and will be in our Board till the next election in 2018. We would also like to thank the members who left the Board and wish them all the best and success. On behalf of the Shareholders and Members of the Board and the Executive Management, I wish to extend our sincere gratitude and appreciation to the resigned CEO Mr. Mahmood Al Koofi for his valuable services and great efforts during the eight years he spent in the company and we wish him great success.

I would like to extend our deep appreciation to our respected shareholders and customers for their support and confidence, and we are committed to continue giving our best in order to achieve the Company's objectives and successes and to meet your expectations, Inshallah.

Finally, I would like to express our thanks to all Official Authorities in the Kingdom of Bahrain and in particular the Central Bank of Bahrain, Ministry of Industry and Trade and Survey and Land Registration Bureau for their continuous support to the Company.

Allah is the purveyor of success.



Ali Ahmed Al Baghli
Chairman of the Board of Directors

Board Of Directors



Mr. Ali Ahmed Al Baghli

Chairman

Experience: Over 40 Years



Mr. Saud Kanoo

Vice Chairman

Experience: Over 30 Years



Mr. Faisal Al Matrook

Board Member

Experience: Over 40 Years



Mr. Nasser Al Gharibah

Board Member

Experience: Over 35 Years

Mr. Ali Al Baghli is holding a wide range of professional expertise in the fields of Law, Legal Consultancies and Business also he held many Governmental and Parliament positions. He holds a Master Degree in Comparative Law from Brunel University, United Kingdom. Mr. Al Baghli was the Minister of Oil during the period from 1992 to 1994 as well as a member of the Kuwaiti Parliament during the period from 1992 to 1996. In addition to Chairmanship in Reef Real Estate Finance Company, Mr. Al Baghli sat on the Chairman position of National International Holding Company till 2013 and he is currently the Vice Chairman.

Mr. Saud Kanoo is a pioneer in the real estate investment and development market and the leader of many successful real estate projects. He is the Deputy Chairman of Property Co. YBA Kanoo WLL and the Chairman of Ossis BSC (c), Marsa Project Services Co WLL, Marsa Leisure Co. (Holdings) WLL, Dragon Resort WLL, Jenina Real Estate Holding WLL, Marsa Health & Sports Club Co. WLL, Marsa Hotels Co BSC (c), Chairman - Al Saraya Properties, SAJAN Properties, Chairman – Unicom Graphics WLL and various other Board Memberships. Mr. Saud Kanoo is a B.E. in Civil Engineer/Arch. Engineer from Georgia Institute of Technology, Georgia, USA and MBA holder from Mercer University, Atlanta, Georgia, USA.

Mr. Faisal Al Matrook is the Executive Chairman of Contech Group and Jasaf Building Technology Company in the United Arab Emirates, also Vice Chairman and Head of the Executive Committee at Noor Capital (Abu Dhabi) and Member of the Board of DEPA Group (Dubai), the largest Company in the region with various activities in the field of interiors and hotel fit out & furnishings. In the Kingdom of Bahrain, Mr. Al Matrook is Chairman of the following companies: Al Matrook Group; Kingdom Group of Companies; Amwaj Education Company; Arabian Dredging; Bahrain Mineral Company; Nardin Real Estate Developers; and Dana Company. In addition, he is an Executive Director of Ossis Real Estate (developer of Amwaj Islands in Bahrain), and director of Al Sharif Group, Al Ahlia Shipping Company and Meritas Investments.

Mr. Nasser Al Gharibah is a BA holder from Mercer University, USA. He has more than 35 years of professional experience in the financial sector ranging from insurance to investment banking in both of the regional and international markets. Currently Mr. Al Gharibah is the General Manager of Global Investment House – Bahrain.



Mr. Samer Abbouchi

Board Member

Experience: Over 12 Years



Mr. Waleed Al Khaja

Board Member

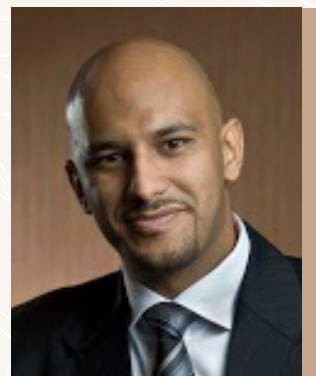
Experience: Over 30 Years
(Joined from 26 March 2015)



Mr. Yaser Hamad Al Jar

Board Member

Experience: Over 17 Years
(Joined from 2 February 2016)



Mr. Mohammed Abdulla

Board Member

Experience: Over 15 Years
(Until 10 January 2016)

Mr. Samer Abbouchi holds a diversified working experience in the financial services sector, internal Audit, organization structuring and restructuring, risk management, investment banking and asset management. He is a Graduate in Business Administration from the American University of Beirut. Samer is a Certified Internal Auditor, a Chartered Financial Analyst and an MBA graduate from London Business School. In addition to Reef Real Estate Finance Company, Mr. Abbouchi is serving many boards in the State of Kuwait and abroad including FinaCorp Investment Company (Tunisia) (Jordan), Global Investment House Saudia and Global Investment House Jordan. His previous Board memberships include: Société Generale de Banque de Jordanie, Jordan Islamic Bank, Buraq Investment Co. (Kuwait), Al Ekhlas Holding Co. (Kuwait), Elite Educational Co. (Kuwait), First Jordan Investment Co. (Jordan), National International Holding Co. (Kuwait).

Mr. Waleed Alkhaja is a seasoned leader with a long career in investments. He served for 19 years in the Investment Directorate of Bahrain's Ministry of Finance, before joining Bahrain Pension Fund Commission as Director of Investment and Executive Director of the SIO Asset Mgt. Co. In 2013, he became the Managing Director of AMAK Property & Development. He served 2 terms on the Board of Seef Properties & Batelco. He is currently the Chairman of First Bahrain Real Estate Development Co. and also serves on the Board of Bahrain Tourism Co., Reef Real Estate Finance Co., Gulf Educational Projects, Trustees of Applied Science University and Bahrain-Thai Joint Business Council/ BCCI. Mr. Waleed Alkhaja holds a Bachelor's degree in Business Admin. from North Texas State University.

Mr. Yaser Al Jar holds professional experience with over 17 years mainly in the fields of external assurance services, commercial and investment banking, and real estate sector. Yaser started his career in 1998 with Arthur Andersen, one of the largest international audit firms at that time, by working in the external assurance services. Subsequently, Yaser held a number of key positions as Chief Financial Officer in a number of reputable institutions, namely Inovent, Al Khaleej Development Co. (Tameer), Shamil Bank of Bahrain (merged with Ithmaar Bank) and Qatar First Investment Bank. Yaser holds a B.Sc in Accounting from the University of Bahrain. He holds Certified Islamic Public Account "CIPA" and Certified Shari'a Advisor "CSAA" certificates from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). He is an accredited instructor of the Islamic Accounting Standards issued by AAOIFI.

Was the Chief Financial Officer of Inovent for more than 11 years, where he played an instrumental role in achieving several corporate milestones. Prior to that, he worked for the multinational giant – Unilever – in its offices in Emirates and Saudi Arabia. Mohamed is a Certified Public Accountant (CPA) from Colorado State Board of Accountancy in USA. He also holds a BSc in Accounting from University of Bahrain and a Master of Business Administration (MBA) from University of Hull in UK. Further, the Chartered Management Institute (CMI-UK) granted him the Chartered Manager status. He is also a Fellow Member of the Institute of Leadership & Management (ILM-UK).

Management Team



Mr. Mahmood Al Koofi

Chief Executive Officer

Experience: Over 30 Years
(Until 31 January 2016)

Mr. Al Koofi was the Chief Executive Officer of Reef Real Estate Finance Company, Chairman of First Reef Company and Chairman of Reef Investment UK Company, Board member in Amwaj Property Limited and Board Member of Manazel Qurtba Fund 2 in the Kingdom of Saudi Arabia until 31st January 2016. Mr. Al Koofi possesses over 30 years executive banking experience and was the pioneer in the Payment Services Businesses in Bahrain and the Arab World. Previously he held several senior positions including Chief Executive Officer of Arab Financial Services. He is an MBA holder in Business Administration from University of Hull, UK, an Executive Leadership and Strategic Management Certificate (Columbia School of Business, USA), and engineering diploma from Université du Caen, France and advanced management diploma (University of Bahrain).



Mr. Hassan Dhaif

Acting Chief Executive Officer

Experience: Over 20 Years
(From 1 February 2016)

Mr. Hassan Dhaif has over 20 years experience in financial control, auditing and HR and Admin. He is also a Board member in First Reef Company and Reef Investment UK Company. Before joining Reef Real Estate Finance Company, he served in Al Baraka Banking Group as Assistance Vice President - Financial Control, BCFC, Zain Telecommunications, National Bank of Bahrain and Anderson. Mr. Dhaif is a Certified Public Accountant (CPA) from the state of Michigan, USA and a holder of B.Sc in Accounting from the University of Bahrain. Mr. Hassan Dhaif has been appointed as an Acting Chief Executive Officer starting from 1st February 2016.





Mr. Ali Salem

Head of Operations

Experience: Over 30 Years

Mr. Ali Salem is holder of Master in Business Administration from University of Hull, UK and Diploma in Business Study from University of Bahrain. He has banking experience over 30 years in retail banking and credit cards. Before joining Reef, Mr. Ali was holding senior positions in Bahraini Saudi Bank, Ithmaar Bank and Arab Financial Services. He is also the Secretary of Shari'a Advisory.



Mr. Eyad Al Sammak

Compliance Manager and MLRO

Experience: Over 19 Years

Mr. Eyad Al Sammak is holding BSc in Accounting from University of Bahrain. He holds over 19 years of experience in retail banking services, finance, operations, Compliance and the Anti Money Laundering. His extensive banking experience was gained whilst the years he worked in Bahraini Saudi Bank (AlSalam Bank) and Ahli United Bank.



Mr. Rehan Zulqadar Rashid

Head of Risk Management

Experience: Over 17 Years

Mr. Rehan Zulqadar carries over 17 years of experience in the field of risk management, compliance, internal & external audits across Big 4 firms and financial institutions within Pakistan and the Middle East. He hold a bachelor's of commerce degree from The University of Punjab, Pakistan and is a Chartered Accountant (Fin). His previous work experience includes working with Ibdar Bank, Ernst & Young, Silkbank, Escorts Investment Bank, Pakistan Credit Rating Agency & PricewaterhouseCoopers.

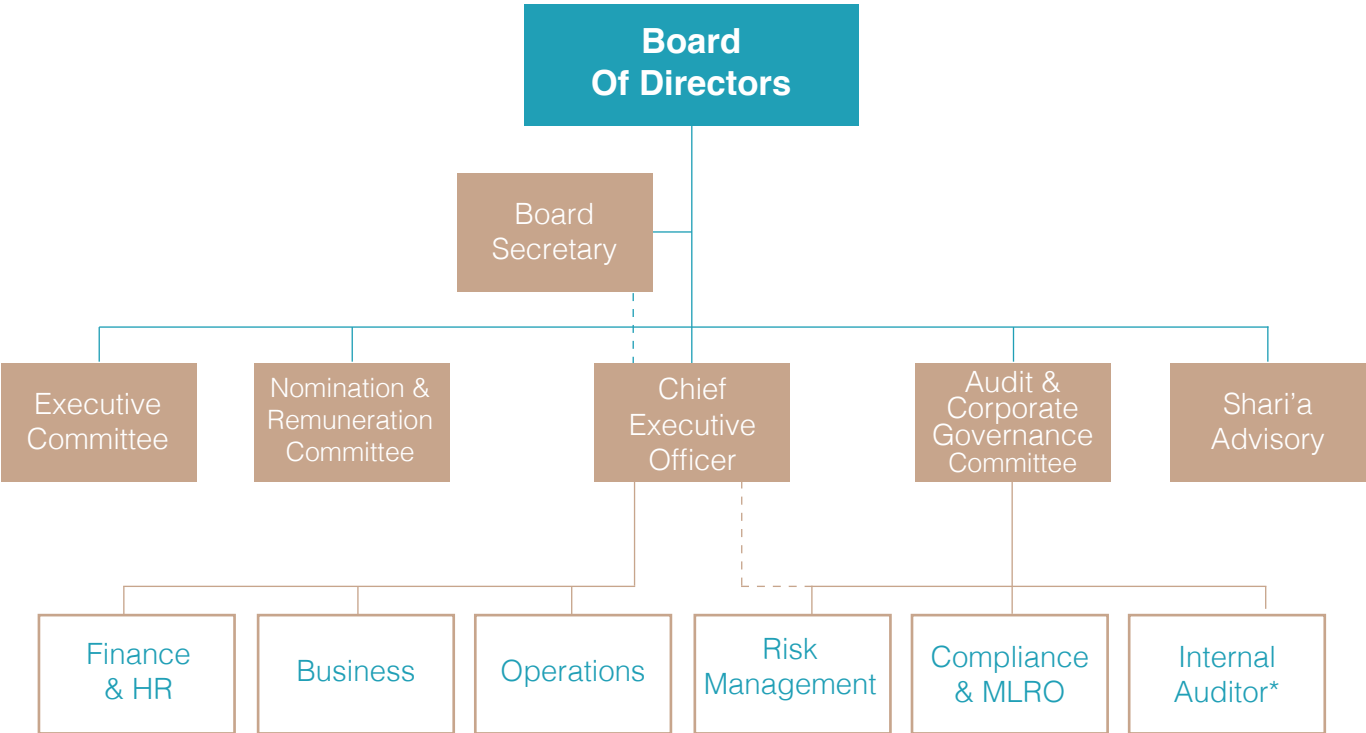
Corporate Social Responsibility

“We embrace and support partnerships of mutual benefits; this has always lead us to better serve our organisation as well as our community”

Reef Real Estate Finance Company adopts a Shar’ia compliant business model, our financing terms are supported by a set of rules, policies and procedures and take into consideration the interest of our shareholders, our customers and other stakeholders.



Organisation Chart



* KPMG Fakhro

Corporate Governance

Corporate Governance Philosophy

The corporate governance framework is aiming to establish a sound of good corporate governance environments at all the time to meet its strategic objectives of safeguarding and maintaining a steady growth of the shareholders interest. Reef is dedicated to adopt the highest standards of corporate governance. The Company seeks to balance entrepreneurship, compliance and industry best practices, while creating value for all stakeholders. This includes, but is not limited to, conducting the policy and affairs of Reef in compliance with regulatory requirements. It also involves having the right checks and balances in place throughout the organization to ensure that the right things are always done in the right way.

This section is designed in accordance to the “High-level control module” and the “Public Disclosure Module” of the CBB rulebook – Volume 5. The Volume 5 CBB rulebook was designed, tailored, and introduced for the Financing Companies in January 2014, where previously, the company was implementing the Corporate Governance Law in compliance with the requirements of the ‘High Level Control Module of the CBB Rulebook (Volume 2)’.

Governance Framework

Reef Real Estate Finance Company B.S.C. (c) is a Bahraini closed Shareholding Company operates as an Islamic financing Company and licensed and regulated by the Central Bank of Bahrain. The Company has only one class of ordinary share and the holders of shares have equal voting rights.

Distributions of Shareholders as the closing of 31st December 2015 were as follows:

Name	Nationality	Number of Shares	Share %
Gimbal Holding Co S.P.C	Bahraini	105,450,354	43.85%
Ossis Property Developers B.S.C.(c)	Bahraini	24,042,900	10.00%
Inovent B.S.C.	Bahraini	24,042,900	10.00%
H.E. Sh. Sultan Bin Khalifa Al Nahyan	Emirati	13,223,595	5.50%
Treasury Shares	Bahraini	12,021,450	5.00%
Al Dammam Development Company	Saudi	11,600,699	4.82%
Other Shareholders	Multiple	50,047,102	20.83%
Total		240,429,000	100.00%

Distribution of ownership by shares and nationality:

Nationality	No. of Shareholders	No. of Shares	%
Bahraini	58	191,008,232	79.44%
Saudi	28	26,463,435	11.01%
Emirati	7	19,640,140	8.17%
Omani	2	3,196,978	1.33%
Qatari	1	120,215	0.05%
Total	96	240,429,000	100.00%

Distribution of ownership by size of shareholders:

Categories	No. of shareholders	Number of shares	% of total issued shares
Less than 1%	83	28,724,943	11.95%
1% to less than 5%	8	32,922,858	13.69%
5% to less than 10%	2	25,245,045	10.50%
10% and above	3	153,536,154	63.86%
Total	96	240,429,000	100.00%

Board of Directors

The Articles of Association of Reef stipulate the responsibilities of the Chairman and members of the BOD as well as the guidelines of corporate governance with respect to the distribution of responsibilities between the Board of Directors and executive management. The BOD oversees all the business activities in consultation with the executive management team. The BOD also discusses and agrees Reef's business strategy. Additionally, the BOD is responsible for risk management and the preparation of financial statements and corporate governance issues. The matters which require the approval of the Board include, for example, among other things, the board approve financing activities for limit above BD 200,000, acquisitions and exit from companies. This is along with the main role of the Board which is to ensure adherence to the values of Reef, including the values set forth in its internal regulations.

When appointed, Board members are provided with the necessary detailed information to enable them to effectively perform their main role of overseeing the strategic, operational and financial and compliance affairs as well as corporate governance controls in Reef. The corporate governance framework allows a member of the BOD to seek independent advice when necessary.

With respect to the channels of communication between the BOD and executive management, the Board members can contact and request information from the executive management at all times.

Board of Directors are responsible for ensuring that the systems and controls framework in the Company, including the Board structure and organizational structure is appropriate for the Company's business and

associated risks. The Board also ensure that collectively there are sufficient resources and expertise to identify, understand and measure the significant risks to which the Company is exposed in its activities. Directors are regularly assessing the systems and controls framework of the Company to ensure that:

- The Company's operations, individually and collectively are measured, monitored and controlled by appropriate, effective and prudent risk management systems commensurate with the scope of the Company's activities;
- The Company's operations are supported by an appropriate control environment;
- The compliance, risk management and financial reporting functions are adequately resourced, independent of business lines and is run by individuals not involved with the day-to-day running of the various business areas.
- The management develops, implements and oversees the effectiveness of comprehensive "Know Your Customer" standards, as well as on-going monitoring of accounts and transactions, in keeping with the requirements of relevant laws, regulations and best practice (with particular regard to anti-money laundering measures).
- The control environment maintains necessary client confidentiality and ensures that the privacy of the Company is not violated, and ensures that clients' rights and assets are properly safeguarded; and
- Where the Board has identified any significant issues related to the Company's adopted governance framework, appropriate and timely action is taken to address any adverse deviation from the requirements stated in the High Level Controls Rulebook of the CBB.

In their strategy review process, Board of Directors:

- Review the Company's business plans and the inherent level of risk in the plans;
- Assess the adequacy of capital to support the business risks of the Company;
- Set performance objectives; and
- Oversee major capital expenditures, divestitures and acquisitions.

Election and Re-election of Directors:

The term for former directors expired on 17th May 2015. In their meeting dated 26th March 2015 and in compliance with the terms stipulated in the Article of Association, Shareholders approved the re-election of the current members of the Board of Directors for a period of three years ending 26th March 2018. Directors are elected by the shareholders at the Annual General Meeting. Candidates for the Board shall be selected by the NRC, and recommended to the Board of Directors and CBB for approval, in accordance with the qualifications approved by the Board taking into consideration the overall composition and diversity of the Board and areas of expertise that new Board members might be able to offer.

Board Composition

Reef Board of Directors comprises of a combination of experience including real estate investment and development and provides valuable directives in meeting Company objectives. The Board consists of seven (2014: Six) non-executive Directors comprising two (2014: one) independent Director(s).

As for attending Board meeting, all Board members must attend at least 75% of all Board meetings within a calendar year and Board members will step down if they are unable to attend four consecutive Board meetings without an acceptable explanation. The absence of Board members at Board and committee meetings will be noted in the meeting minutes. Board attendance percentage will then be reported during any general assembly meeting when Board members stand for re-election. Voting and attendance proxies for Board meetings are prohibited at all times.

Board membership and committees as follows:

Director Name	Nationality	Type of Membership	Position	Committee Membership		
				Nomination & Remuneration	Executive	Audit & Corporate Governance
Mr. Ali Al Baghli	Kuwaiti	Non-independent	Chairman	Chairman		
Mr. Saud Kanoo	Bahraini	Independent	Vice Chairman	Member		Chairman
Mr. Faisal Al Matrook	Bahraini	Non-independent	Member	Member	Chairman	
Mr. Nasser Al Gharibah	Kuwaiti	Non-independent	Member		Member	
Mr. Samer Abbouchi	Lebanese	Non-independent	Member		Member	
Mr. Waleed Al Khaja*	Bahraini	Independent	Member			Member
Mr. Yasser Al-Jar**	Bahraini	Non-independent	Member			Member
Mr. Mohamed Isa***	Bahraini	Non-independent	Member			Member
Mr. Mohammed A. Khaliq****	Bahraini	Non-independent	Member			Member

* Mr. Waleed Al Khaja was appointed to Board on AGM 26th March 2015.

** Mr. Yasser Al-Jar was nominated by Inovent B.S.C. on 2nd February 2016.

*** Mr. Mohamed Isa was nominated by Inovent B.S.C. and appointed to the Board on AGM 26th March 2015. He resigned on 10th January 2016 and was replaced by Mr. Yaser Al Jar.

**** Mr. Mohamed A.Khaliq was nominated by Inovent B.S.C. and resigned on 26th March 2015.

Board meeting attendance

As per the Board Charter, the Board must meet at least four times a year and Board members are required to attend at least 75% of the meetings per calendar year. Details of member attendance during the year ended 31st December 2015 as follows:

Director Name	No of Meetings attended	Dates of Meetings	Attendance %*
Mr. Ali Al Baghli	4		100 %
Mr. Saud Kanoo	2		50 %
Mr. Faisal Al Matrook	4	29 th Jan 2015	100 %
Mr. Nasser Al Gharibah	4	26 th Mar 2015	100 %
Mr. Samer Abbouchi	4	7 th May 2015	100 %
Mr. Waleed Al Khaja	3 **	18 th Oct 2015	100 %
Mr. Mohamed Isa	2 ***		75 %
Mr. Mohammed A. Khaliq	1 ****		100 %

* The percentage has been calculated based on the number of meetings attended by the Board Members divided by the number of meetings held during the period of membership.

** Appointed to Board on AGM 26th March 2015.

*** Appointed to Board on AGM 26th March 2015.

**** Resigned from the Board on 26th March 2015.

Performance Evaluation

In compliance with the Company Corporate Governance as well as CBB guidelines, Board carried out a formal performance evaluation for all Board of Directors members. The evaluation is aimed to assess Board effectiveness and support in identifying the need for creating an effective Board, strategic foresight, stewardship, performance evaluation, professional development, engage with Management and performance of Individual Board Members.

Remuneration

The Company adopts a transparent procedure in remunerating Board of Directors and Management. Board of Directors' remuneration takes into consideration the performance of the Company as well as an assessment of compliance of individual members with their performance agreement and individual responsibilities. Sharia'a Advisor is paid for the services provided and is not linked to the Company performance. The form and amount of Director compensation is determined by the Board based upon the recommendation of the Nomination and Remuneration Committee ("NRC"). The Company's remuneration policy for Senior Management is to provide competitive remuneration structure to attract and retain highly skilled personnel. During the year ended 31st December 2015, the aggregate remuneration paid to the Board of Directors was BHD 35,000.

Board Committees

The BOD has established three subordinate committees and has delegated specific powers to each committee as follows:

1. Nomination & Remuneration Committee

The Nomination & Remuneration Committee is established to comply with the Corporate Governance requirements. It is responsible to identify persons qualified to become members of the Board or Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and other officers of the Company considered appropriate by the Board, with the exception of the appointment of the internal auditor which shall be the responsibility of the Audit & Corporate Governance Committee. The committee can make recommendations to the Board including recommendations of candidates for the Board membership to be included by the Board on the agenda for the next AGM meeting besides reviewing the Company's remuneration policies for the Board and senior management which should be approved by the shareholders in the AGM meetings. The committee will make recommendations regarding remuneration policies and amounts for specific persons to the whole board considering the total remuneration including salaries, fees, expenses and employee benefits as well as evaluate and remunerate board members based on their attendance and performance.

The Committee met twice during the year ended 31 December 2015 which is the minimum requirements:

Director's Name	Position	Dates of Meetings	Number of Meetings Attended
Mr. Ali AlBaghli	Chairman		2
Mr. Faisal Al Matrook	Member	18 Oct 2015	2
Mr. Saud Kanoo	Member	13 Dec 2015	2
Mr. Samer Abbouchi	Former Member		- *

* Mr. Samer Abbouchi joined the "Executive Committee" after the AGM on 26 March 2015.

2. Executive Committee

The Executive Committee is delegated with a define scope of duties and authorities with the objective of assisting the Board to oversee the management of the Company's balance sheet from risk and return prospective and to increase the Company's income. In Addition, the committee is required to act on behalf of the Board on urgent matters when a meeting of the Board is not possible or practical, as well as undertaking other tasks as may be entrusted to it by the Board from time to time. The Committee must meet at least four times a year.

The Committee met four times during the year ended 31 December 2015 which is the minimum requirements:

Director's Name	Position	Dates of Meetings	Number of Meetings Attended
Mr. Faisal Al Matrook	Chairman	29 Jan 2015	4
Mr. Samer Abbouchi	Member	07 July 2015	3*
Mr. Nasser Al Gharibah	Member	18 Oct 2015	4
Mr. Saud Kanoo	Former Member	13 Dec 2015	- **

* Mr. Samer Abbouchi joined "Executive Committee" after election on 26 March 2015.

** Mr. Saud Kanoo joined "Audit & Corporate Governance Committee" after election on 26 March 2015.

3. Audit & Corporate Governance Committee

Audit & Corporate Governance Committee is in-charge of the internal and external audit, as well as compliance, anti-money laundering and Corporate Governance. The Committee must meet at least four times a year.

The primary aim of the Committee is to assist the Board of Directors in fulfilling its responsibilities to the shareholders and other stakeholders in relation to accounting reporting practices and the quality and integrity of the financial reports of the Company as well as ensuring that a sound system of internal controls has been maintained to mitigate financing risks.

The Committee met four times during the year ended 31 December 2015 which is the minimum requirements:

Director's Name	Position	Dates of Meetings	Number of Meetings attended
Mr. Samer Abbouchi	Former Chairman*	29 Jan 2015	2
Mr. Saud Kanoo	Chairman**	23 Feb 2015	3
Mr. Mohammed A. Mr. Khaliq	Member***	13 Oct 2015	2
Mr. Mohamed Isa	Member****	13 Dec 2015	2
Mr. Waleed Al Khaja	Member*****		2

* Mr. Samer Abbouchi joined to "Executive Committee" after attending 2/4 meetings.

** Mr. Saud Kanoo held the Chairman post after 26 March 2015.

*** Resigned from the Board on 26th March 2015.

**** Mr. Mohamed Isa joined after the AGM on 26 March 2015.

***** Mr. Waleed Al Khaja joined after the AGM on 26 March 2015.

The AGM approved reappointing M/S BDO to conduct the review and audit of the Company's consolidated financial statements for the year ended 31st December 2015. Total fees agreed with the external auditors were BHD 10,000.

The Company engaged M/S KPMG Fakhro to conduct the internal audit functions. Total fees paid to the internal auditors during 2015 was BD 8,000.

Ethics and Conflicts of Interest

As per Board of Directors Charter, all Directors and employees will act ethically at all times and adhere to the Company's Code of Conduct. Where a potential conflict of interest arises for a Director, the Director shall promptly inform the Board for deliberation and resolution.

In addition, conflict of interest would arise where any member of Senior Management, Officer or employee, has a personal interest - financial or otherwise, in a client, counterparty, borrower, supplier, or other person or company dealing with the Company. Company staffs is expected to manage his/her personal and business affairs so as to avoid situations that might lead to a conflict, or even the appearance of a conflict, between the staff's self-interest and his/her duty to the Company, its clients and its shareholders. All Staff and Directors are expected to behave professionally such that they do not:

- Enter into competition with the Company
- Demand/accept substantial gifts from the Company for himself or his associates.
- Misuse the Company's assets
- Use Reef privileged information to take advantage of business opportunities to which the Company is entitled for himself or his associates.

In any such situation, the person concerned must absent himself/herself from any discussions or decision making that involves a subject where they are incapable of providing objective advice, or which involves a subject or (proposed) transaction, where a conflict of interest exists. Any staff member who has a conflict of interest shall inform the CEO immediately of the same and disclose all materials facts in the case of a contract or transaction involving him or her. The CEO and Directors must inform the entire Board of (potential) conflicts of interest in their activities with, and commitments to other organizations as they arise. It is reiterated that they should refrain from being involved in any decisions or transactions concerning the conflicting interests.

Transactions with Related Parties

Details of related parties' transactions are presented in note 18 in the financial statements.

Confidentiality

The Company adopts privacy and confidentiality for protecting sensitive information of all matters, including customer information. Conformity with these principles is applicable to its Directors, Senior Management, Officers and all employees of the Company. Maintaining the confidentiality of the Company's information is a must to continue employment with Reef. The Company's client's confidential information is treated as "private and confidential" and to be used the purposes obtained. Access to client's confidential information is restricted to the concerned employees of the Company only. Company's information is considered as "private and confidential" unless it is been clearly confirmed it is not. Access to confidential information is not given to persons outside the Company, unless it is mandated by the regulator or by the applicable

laws. The Company's financial information and data, including but not limited to, contracts, client lists, policies and procedures, management reports, marketing strategies, and other information should be treated as private and confidential and should not be disclosed, discussed or made available to anyone outside the Company. The Company's employees are bound by their contracts of employment to continue to observe this level of confidentiality regarding the Company's information. The Company's information in hard copy or soft copy formats, considered assets of the Company and may not be retained for use nor removed from the Company at the time employment ceases.

Review of internal control and processes

Internal control is a process affected by the Board of Directors, senior management and all levels of personnel. It is not solely a procedure or policy that is performed at a certain point in time, but rather it is continually operating at all levels within the Company. The Board of Directors and senior management are responsible for establishing the appropriate culture to facilitate an effective internal control process and for monitoring its effectiveness on an ongoing basis; however, each individual within an organization must participate in the process.

The main objectives of the internal control process can be categorized as follows:

- Efficiency and effectiveness of activities (performance objectives);
- Reliability, completeness and timeliness of financial and management information (information objectives); and
- Compliance with applicable laws and regulations (compliance objectives).

Also, the internal control system of the Company consists of the following elements:

- Management oversight and the control culture;
- Risk recognition and assessment;
- Control activities and segregation of duties;
- Information and communication; and
- Monitoring activities and correcting deficiencies.

Induction and Training of Directors

The Company makes sure that all its members have the knowledge, ability and experience to perform the functions required of a director. Hence, an awareness program is conducted for the new and existing board members.

Penalties

During the year ended 31 December 2015, the Company was not subject to any financial penalties by the CBB.

Managerial Structure

The Executive Management has established two managerial committees and has delegated specific powers to each committee as follows:

Management Committee: Management committee consists of all departments Heads and is responsible for the timely follow up of the companies strategies, business targets and regular problem solving. This committee also performs the work of credit and risk function as and when necessary.

The Management Committee membership during the year 2015 is as follows:

Member's Name	Designations
Mr. Mahmood AlKoofi	Chief Executive Officer (CEO) *
Mr. Hasan Dhaif	Acting Chief Executive Officer (ACEO) **
Mr. Ali Salem	Head of Operations
Mr. Ali AlGhasra	Business Manager
Mr. Eyad AlSammak	Compliance Manager & MLRO
Mr. Rehan Zulqadar	Head of Risk Management
Mr. Hisham Abdulla	Finance Manager

* Mr. Mahmood AlKoofi held his post until 31 January 2016.

** Mr. Hasan Dhaif was appointed by the Board on 1 February 2016.

Remedial Committee: Remedial committee consists of a minimum of three members from the Department Heads. The committee members reporting all the matters to CEO. Committee is responsible for meeting the company's remedial targets and reports, make recommendations on changes in existing remedial strategies or policies and review, discuss and provide guidance on monthly remedial reports.



SHARI'A SUPERVISORY ADVISOR REPORT

For the period from 1st January 2015 to 31st December 2015

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'a Supervisory Advisor the investment and financing operations as well as the activities done by the Company. The Shari'a Supervisory Advisor as well reviewed the audited financial statements for the period from 1st January 2015 to 31st December 2015.

The review was commissioned to issue an opinion on whether the Company had followed the principles and provisions of the Islamic Shari'a and fatwa issued by the Shari'a Advisor of the Company. Where the responsibility lies with the Company to ensure that its operations are in compliance with the issued Shari'a 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:

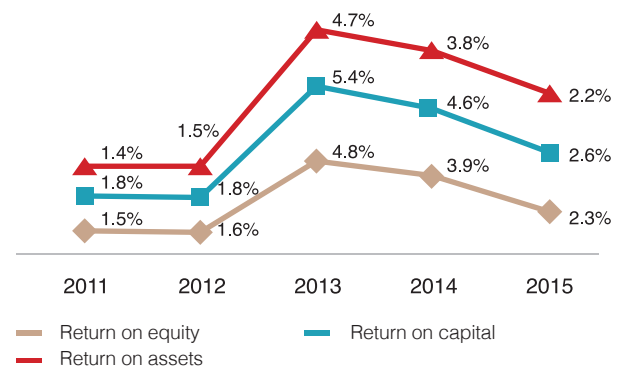
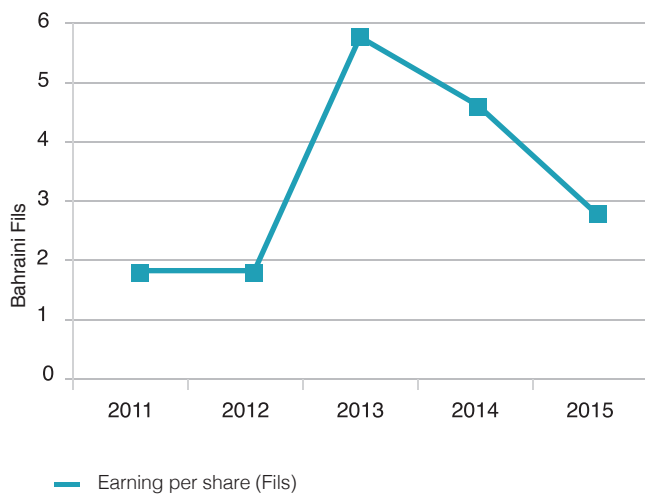
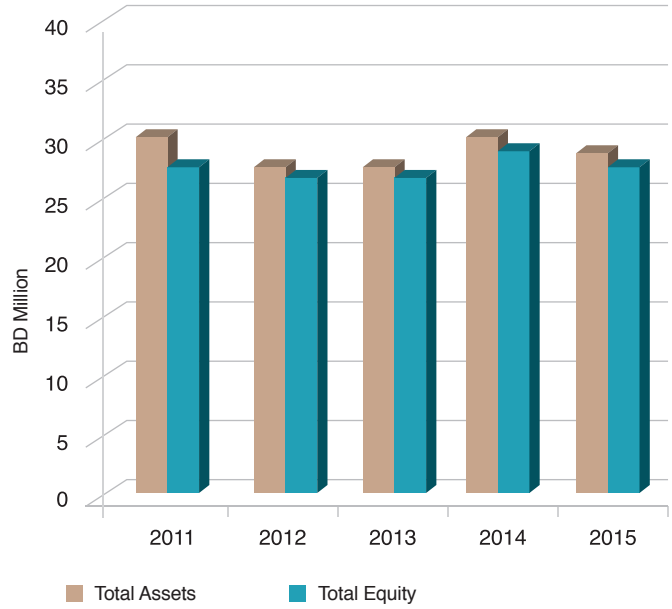
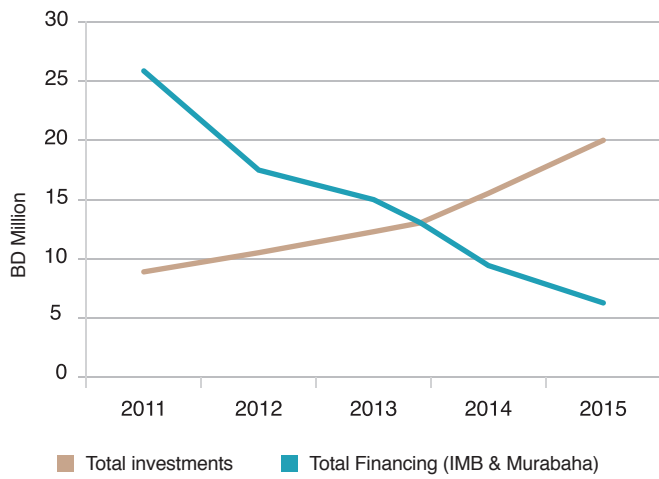
1. The Company's contracts, transactions and operations for the year ended 31st December 2015 are in compliance with the provisions and principles of Islamic Shari'a.
2. The calculation of the Company's profits and the losses charged to its investment operations are in compliance with the provisions and principles of the Islamic Shari'a.
3. The realized earnings from sources that are not compatible with the principles and provisions of Shari'a have been donated for charitable purposes.
4. The Zakah has been donated for charitable purposes.

And Allaah is the Source of Successes.

Shaikh Dr. Osama Mohammed Bahar
Shari'a Supervisory Advisor



Financial Highlights



Financial Statements

For The Year Ended 31 December 2015

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Independent auditor's report to the Shareholders

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 subsidiaries (collectively referred as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of income, the consolidated statement of changes in owners' 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 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 2015, and the consolidated results of its operations, the consolidated changes in owners' 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, in respect of the Company, we report that: the Company 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 Company 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.

BDO

Manama - Kingdom of Bahrain
21 February 2016



Consolidated statement of financial position as at 31 December 2015

(Expressed in Bahraini Dinars)

	Notes	31 December 2015	31 December 2014
ASSETS			
Cash and bank balances		575,026	1,693,092
Investment securities	4	12,228,591	6,001,439
Mudaraba investments	5	4,697,698	4,568,812
Murabaha financing	6	4,439,397	5,976,938
Ijarah Muntahia Bittamleek and Musharaka	7	2,275,349	3,645,072
Properties-under-development	8	412,180	1,529,920
Investment in real estate	9	2,597,572	3,214,889
Receivables and prepayments	10	687,128	2,367,025
Property and equipment	11	36,357	66,802
Total assets		27,949,298	29,063,989
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Other liabilities	12	575,859	501,215
Owners' Equity			
Share capital	13	24,042,900	24,042,900
Treasury shares	13	(1,202,145)	-
Statutory reserve	14(i)	1,211,983	1,150,154
Properties fair value reserve	14(ii)	989,463	1,078,825
Charity reserve		97	2,294
Retained earnings		2,331,141	2,288,601
Total liabilities and owners' equity		27,373,439	28,562,774
		27,949,298	29,063,989

These consolidated financial statements and notes from 1 to 24, set out on pages 25 to 54, were approved and authorised for issue by the Board of Directors on 21 February 2016 and signed on their behalf by:



Ali Ahmed Al Baghli
Chairman



Saud Kanoo
Vice Chairman

Consolidated statement of income for the year ended 31 December 2015

(Expressed in Bahraini Dinars)

	Notes	31 December 2015	31 December 2014
Income			
Gross Ijarah and Musharaka income		955,316	1,284,306
Less: Depreciation on Ijarah Muntahia Bittamleek	7	(429,115)	(641,628)
		526,201	642,678
Profit from Mudaraba investments	5	76,186	151,393
Profit from Murabaha financing	6	611,936	931,232
Fees from financing activities		19,969	44,582
Net rental income from investment in real estate	9	106,368	117,684
Profit from investment securities	16	267,289	110,063
Net gain on sale of investment in real estate		132,519	92,398
Net gain on sale of property under development		108,606	-
Allowance no longer required for Ijarah Muntahia Bittamleek rental receivables	20(vi)	116,292	222,177
Net gain on sale of property and equipment		40	9,500
		1,965,406	2,321,707
Expenses			
Staff costs		492,471	427,322
General and administrative expenses		301,126	394,077
Depreciation of property and equipment	11	31,884	28,631
Depreciation on investment in real estate	9	6,474	19,767
Net unrealised fair value losses on revaluation of investment in securities	4	153,299	43,694
Net foreign exchange losses		351,621	190,066
Allowances and provisions	20(vi)	10,240	111,729
		1,347,115	1,215,286
Net profit for the year		618,291	1,106,421
Basic and diluted earnings per share	17	Fils 2.7	Fils 4.6

These consolidated financial statements and notes from 1 to 24, set out on pages 25 to 54, were approved and authorised for issue by the Board of Directors on 21 February 2016 and signed on their behalf by:



Ali Ahmed Al Baghli
Chairman



Saud Kanoo
Vice Chairman

Consolidated statement of changes in owners' equity for the year ended 31 December 2015
(Expressed in Bahraini Dinars)

	Notes	Share capital	Treasury shares	Statutory reserve	Properties fair value reserve	Charity reserve	Retained earnings	Total
At 31 December 2013		24,042,900	-	1,039,512	1,078,825	2,770	1,292,822	27,456,829
Charity reserve movement		-	-	-	-	(476)	-	(476)
Net profit for the year		-	-	-	-	-	1,106,421	1,106,421
Transferred to statutory reserve	14(i)	-	-	110,642	-	-	(110,642)	-
At 31 December 2014		24,042,900	-	1,150,154	1,078,825	2,294	2,288,601	28,562,774
Treasury shares	13	-	(1,202,145)	-	-	-	-	(1,202,145)
Dividend paid during the year	15	-	-	-	-	-	(513,922)	(513,922)
Charity reserve movement		-	-	-	-	(2,197)	-	(2,197)
Net movement in properties fair value reserve on the sale of investment in real estate		-	-	-	(89,362)	-	-	(89,362)
Net profit for the year		-	-	-	-	-	618,291	618,291
Transferred to statutory reserve	14(i)	-	-	61,829	-	-	(61,829)	-
At 31 December 2015		24,042,900	(1,202,145)	1,211,983	989,463	97	2,331,141	27,373,439

Consolidated statement of cash flows for the year ended 31 December 2015

(Expressed in Bahraini Dinars)

	Notes	31 December 2015	31 December 2014
Operating activities			
Net profit for the year		618,291	1,106,421
Adjustments for:			
Depreciation on property and equipment	11	31,884	28,631
Depreciation on Ijarah Muntahia Bittamleek	7	429,115	641,628
Depreciation on investment in real estate	9	6,474	19,767
Net gain on sale of property and equipment		(40)	(9,500)
Net gain on sale of investment in real estate		(132,519)	(92,398)
Net unrealised fair value losses on revaluation of investment in securities	4	153,299	43,694
Foreign exchange losses on translation of investment in securities	4	40,767	2,040
Net gain on the sale of property under development		(108,606)	-
Changes in operating assets and liabilities:			
Receivables and prepayments		1,679,897	(1,038,402)
Other liabilities		74,644	(9,684)
Net cash provided by operating activities		2,793,206	692,197
Investing activities			
Net movement in Murabaha financing		1,537,541	(1,163,930)
Additions in investment securities	4	(6,421,218)	(3,935,665)
Net movement in properties-under-development	8	(59,635)	(166,523)
Purchase of property and equipment	11	(1,439)	(75,585)
Addition in investment in real estate	9	-	(421,849)
Net movement in Mudaraba investments		(128,886)	1,282,057
Net movement in Ijarah Muntahia Bittamleek and Musharaka		940,608	3,591,733
Proceeds from sale of properties-under-development		1,285,981	-
Proceeds from sale of investment in real estate		654,000	512,800
Proceeds from sale of property and equipment		40	9,500
Net cash used in investing activities		(2,193,008)	(367,462)
Financing activities			
Purchase of treasury shares	13	(1,202,145)	-
Charity reserve movement		(2,197)	(476)
Dividend paid	15	(513,922)	-
Net cash used in financing activities		(1,718,264)	(476)
Net (decrease)/increase in cash and cash equivalents		(1,118,066)	324,259
Cash and cash equivalents, beginning of the year		1,693,092	1,368,833
Cash and cash equivalents, end of the year		575,026	1,693,092

1) Organisation and principal activities

Reef Real Estate Finance Co. B.S.C. (c) “the Company” and its subsidiaries (collectively referred as “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 Industry Commerce and Central Bank of Bahrain “CBB” license number FC/001 obtained on 3 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; and
- 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 Group’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

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2015	Effective ownership interest 2014
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%

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 investment 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 2015.

(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, 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.

2) Basis of preparation (continued)

(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 issued 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) Basis of consolidation

The consolidated financial statements incorporate financial statements of the Company and its subsidiaries 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.

(e) 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.

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.

2) Basis of preparation (continued)

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.

Going concern

The management of the Group reviews the financial position on a periodical basis and assesses the requirement of any additional funding to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due. In addition, the shareholders of the Group ensure that they provide adequate financial support to fund the requirements of the Group to ensure the going concern status of the Group.

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 consolidated 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. These policies have been consistently applied to all the years presented, unless stated otherwise.

Cash and cash equivalents

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

Investment in securities

Investment in securities comprises of both equity and debt type instruments.

The investment in equity-type investments are classified under the following categories:

- Investments at fair value through income statement; and
- Investments at fair value through equity.

The investment in debt-type investments are classified under the following categories:

- Investments at fair value through income statement; and
- Investments carried at amortised cost.

3) Significant accounting policies (continued)

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 are measured at their fair value and the gains/losses are recognised as follows:

- For debt-type investments the fair value changes are recognised in the consolidated statement of income.
- For equity-type investments the fair value changes are recognised in the consolidated statement of owner's equity except for those investments which are designated to be recognised through consolidated statement of income.

On derecognition or impairment of equity type investments carried at fair value through equity, the cumulative gain or loss previously recorded in equity is recognised in the consolidated statement of income for the year. Impairment losses on equity type instruments carried at fair value through equity are not reversed through the consolidated statement of income and increases in their fair value after impairment are recognised directly in owners' equity.

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.

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 consolidated statement of income.

Properties-under-development

Properties-under-development represents properties held for sale in the ordinary course of business or in the process of construction and development for future sale. Properties-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 properties-under-development are recognised in the consolidated statement of income in the year of derecognition.

3) Significant accounting policies (continued)

Investment in real estate

Properties held for rental, or for capital appreciation purposes, or both, are classified as investment in real estate. The Group's investments in real estate are classified as held-for-use in accordance with FAS 26 - "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 owners' 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 gains 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.

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.

3) Significant accounting policies (continued)

Employee benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits

Employee benefits and entitlements to annual leave, holiday, air passage 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 year 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.

Impairment of assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of 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 assets and liabilities

Assets

An asset (or, where applicable a part of a asset or part of a group of similar 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.

3) Significant accounting policies (continued)

Liabilities

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

Offsetting

Assets and 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 offset the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

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) Income from Mudaraba contracts

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

c) Other income

Other income is accounted for on an accrual basis.

Dividends

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

Foreign exchange transactions

Foreign currency transactions are recorded at rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies at the consolidated statement of financial position date are retranslated at market rates of exchange prevailing at that date. Gains and losses arising on translation are recognised in the consolidated income statement. Non-monetary assets that are measured in terms of historical cost in foreign currencies are recorded at rates of exchange prevailing at the value dates of the transactions.

4) Investment securities

	31 December 2015	31 December 2014
Opening balance	6,001,439	2,111,508
Additions	6,421,218	3,935,665
Foreign exchange losses on translation of investment securities	(40,767)	(2,040)
Unrealised fair value losses for the year	(153,299)	(43,694)
	12,228,591	6,001,439
	31 December 2015	31 December 2014
Investment in equity-type instruments – Unquoted		
<i>Equity investments</i>	335,432	352,260
<i>Private equity</i>	7,363,309	2,508,713
Investment in debt-type instruments- Quoted	4,529,850	3,140,466
	12,228,591	6,001,439

4) Investment securities (continued)

Investment – securities-wise analysis:

		31 December 2015	31 December 2014
Equity type instruments carried at fair value through statement of income			
Amwaj Property Limited		335,432	352,260
Manazel Qurtoba 2 fund	(a)	1,008,713	1,008,713
Jenina Real Estate Development Co. Ltd	(b)	1,508,053	1,500,000
National Air Traffic Services Project (NATS)	(c)	559,053	-
SICO Kingdom Equity Fund	(d)	207,300	-
Difaaf Development Limited	(e)	2,003,706	-
Equity type instruments carried at fair value through equity			
APL PH1 Limited	(f)	2,076,484	-
		7,698,741	2,860,973
Debt-type instruments carried at fair value through statement of income			
CBB sukuk	(g)	4,529,850	3,140,466
		12,228,591	6,001,439

(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 this 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 year 2015, the Group has invested GBP1,000,000 in Global Investments House to invest in GIH-NATS project in United Kingdom. The main objective of fund is to capital appreciation and rental yield from NATS (National Air Traffic Services Project).

(d) During the year 2015, the Group has invested BD250,000 in SICO to seek capital appreciation through investing in equity securities listed in the Saudi Exchange market and the GCC.

(e) During the year 2015, the Group has invested BD2,003,706 in Difaaf Development Limited project, Bahrain through Venture Capital Bank. The objective of the Company is to develop a property in Reef Islands, Kingdom of Bahrain.

(f) During the year, the Group has invested BD2,076,484 in acquiring the shares in APL PH1 Limited. The objective of the Company is to develop a property in United Kingdom.

(g) During the year 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 BD2,962,350 (2014: BD3,140,466). These units are listed. The Group has fair valued the Sukuks at 31 December 2015 and the recorded net loss of BD110,616 in the consolidated statement of income.

4) Investment securities (continued)

Unquoted equity securities at fair value through statement of income comprise investments in closed companies, companies managed by external investment managers or represent investments in projects. The management calculates fair values of these investments using various sources of information including investment managers' reports and audited financial statements, wherever available.

Although all of these investments have shown improvement in fair values due to various reasons such as expected project completion timeline and exits strategy, market liquidity, lock-in periods, and availability of ready buyer the management has considered cost to be the best proximity of the fair value. Management will continue reassessing the fair values of these unquoted investments at each reporting date.

Investment securities are denominated in the following currencies:

Currency	31 December 2015	31 December 2014
Great Britain Pound	2,970,969	352,260
United States Dollar	5,173,356	3,140,466
Saudi Riyal	1,008,713	1,008,713
Arab Emirates Dirham	1,508,053	1,500,000
Bahraini Dinars	1,567,500	-
	<u>12,228,591</u>	<u>6,001,439</u>

5) Mudaraba investments

	31 December 2015	31 December 2014
Ithmaar Bank	1,000,000	2,500,000
Al Salam Bank	1,614,959	2,000,000
Khaleeji Commercial Bank	65,980	68,812
Kuwait Finance House	1,016,759	-
Bahrain Islamic Bank	1,000,000	-
	<u>4,697,698</u>	<u>4,568,812</u>

Mudaraba and Murabaha investments represent amounts placed with financial institutions, which have maturity periods ranging between 30 days to 180 days, and earn market rates of profit per annum receivable on maturity. During the year, the earned including accrued on mudaraba investment amounted to BD76,186 (2014: BD151,393).

Notes to the consolidated financial statements for the year ended 31 December 2015

(Expressed in Bahraini Dinars)

6) Murabaha financing

		31 December 2015	31 December 2014
Amwaj Property Limited (APL)	(a)	2,459,334	3,170,340
Amwaj Property Limited (APL) – Mezzanine 2	(b)	1,185,640	1,778,523
Omniyat Properties Six Limited	(c)	1,028,075	1,028,075
General provision for the year*		(233,652)	-
		4,439,397	5,976,938

The movement in general provision is as follows:

	31 December 2015	31 December 2014
Opening balance	-	-
Transferred from Ijarah Muntahia Bittamleek and Musharaka	233,652	-
Closing balance	233,652	-

* General provision represents the 5% of Murabaha financing.

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 during the year 2016. The accrued profit on this murabaha financing with Amwaj Property Limited (APL) for the year amounting to BD250,702 (2014: 546,726). During the year, the Amwaj Property Limited (APL) has repaid the partial principal amount, the accrued profit up to 27 October 2015 and an arrangement fee of 1% amounting to BD559,554, BD1,487,731 and BD29,199 respectively.

b) 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 received by the year end 2016. The accrued profit on murabaha financing with Amwaj Property Limited (APL) for the year amounting to BD207,023 (2014: BD230,295). During the year, the Amwaj Property Limited (APL) has repaid the partial principal amount and the profit up to 27 October 2015 amounting to BD576,892 and BD404,254 respectively.

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. on 16 June 2013. The project is expected to be completed by the second quarter of 2016. This project is based in Dubai, UAE. The accrued profit on this murabaha financing with Omniyat Properties Six Limited for the year ended 31 December 2015 amounting to BD154,211 (2014: BD154,211).

7) Ijarah Muntahia Bittamleek and Musharaka

	Lands	Buildings	Total
Cost			
At 31 December 2013	3,074,269	11,063,638	14,137,907
Additions*	44,975	-	44,975
Payment received/disposals	(2,698,270)	(1,778,894)	(4,477,164)
At 31 December 2014	420,974	9,284,744	9,705,718
Additions*	-	37,439	37,439
Reclassifications during the year	763,453	(763,453)	-
Payment received/disposals	(566,217)	(1,378,369)	(1,944,586)
At 31 December 2015	618,210	7,180,361	7,798,571
Depreciation			
At 31 December 2013	-	(5,821,202)	(5,821,202)
Charged for the year	-	(641,628)	(641,628)
Disposals	-	840,456	840,456
At 31 December 2014	-	(5,622,374)	(5,622,374)
Charged for the year	-	(429,115)	(429,115)
Disposals	-	647,887	647,887
At 31 December 2015	-	(5,403,602)	(5,403,602)
General provision**			
At 31 December 2013 and 2014	(5,071)	(433,201)	(438,272)
Provision no longer required	5,071	79,929	85,000
General provision transferred to Murabaha Financing	-	233,652	233,652
At 31 December 2015	-	(119,620)	(119,620)
Net book value			
At 31 December 2015	618,210	1,657,139	2,275,349
At 31 December 2014	415,903	3,229,169	3,645,072

* Additions relate to rescheduling of financing deals. During 2015, a financing 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 31 December 2015 have lease terms of up to 18 years.

** General provision represents the 5% of total Ijarah Muntahia Bittamleek portfolio.

Notes to the consolidated financial statements for the year ended 31 December 2015

(Expressed in Bahraini Dinars)

8) Properties-under-development

	31 December 2015	31 December 2014
Opening balance	1,529,920	1,363,397
Additions during the year	59,635	166,523
Disposals during the year	(1,177,375)	-
Closing balance	412,180	1,529,920

Properties-under-development represent “Blue Diamond” in Shakhoora. During the year, the Group invested BD59,635 in developing a three storey building at Shakhoora, Bahrain. The Company holds 100% share in Shakhoora’s project.

An independent valuation at 31 December 2015 concludes that the fair value of three storey building “Blue Diamond” at Shakhoora amounting to BD485,290. As per the policy of the Group, the properties-under-development is recorded at cost less impairment, hence the uplift in the fair value has not been accounted for.

9) 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)	(236,906)	(613,114)
As at 31 December 2015	-	2,622,736	2,622,736
Depreciation			
As at 31 December 2013	-	1,194	1,194
Charge for the year	-	19,767	19,767
As at 31 December 2014	-	20,961	20,961
Charge for the year	-	6,474	6,474
On disposals	-	(2,271)	(2,271)
As at 31 December 2015	-	25,164	25,164
Net book value			
At 31 December 2015	-	2,597,572	2,597,572
At 31 December 2014	376,208	2,838,681	3,214,889

9) Investment in real estate (continued)

Included in investment properties for periodical consideration is the net book value of furniture and fixtures of BD5,705 (2014: BD12,870) which is depreciated over their useful lives.

During the year, the net earned including accrued periodical consideration on investment in real estate amounted to BD106,368 (2014: BD117,684).

	31 December 2015	31 December 2014
Rental income	141,285	163,175
Maintenance and electricity expenses	(34,917)	(45,491)
	<u>106,368</u>	<u>117,684</u>

During the year, the Group has made a profit on sale of investment properties amounted to BD132,519 (2014: BD92,398).

During December 2015, the Group obtained an open market valuation of its investment in real estate from an independent real estate valuer, which calculated the total fair value of the properties at BD2,695,500 resulting in an unrealised fair value gain amounting to BD97,928 (2014: BD203,111). 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 owners' equity.

10) Receivables and prepayments

	31 December 2015	31 December 2014
Ijarah Muntahia Bittamleek rental receivables	346,162	372,684
Allowance for doubtful Ijarah Muntahia Bittamleek rental receivables	(262,041)	(286,693)
Other receivables	201,523	837,343
Allowance for other receivables	(109,728)	(389,873)
Prepayments	27,633	24,753
Accrued arrangement fee on Murabaha financing	-	31,699
Accrued profit on investment securities	71,897	18,728
Accrued profit on Murabaha financing	400,122	1,742,980
Accrued profit on Mudaraba investments	11,560	15,404
	<u>687,128</u>	<u>2,367,025</u>

Notes to the consolidated financial statements for the year ended 31 December 2015

(Expressed in Bahraini Dinars)

11) Property and equipment

	Leasehold improvements	Furniture and fixtures	Office equipment	Computer hardware and software	Motor vehicles	Total
Cost						
At 31 December 2013	154,280	47,190	45,916	160,007	36,880	444,273
Additions	15,583	-	3,786	5,216	51,000	75,585
Disposals	(1,850)	-	(180)	-	(28,500)	(30,530)
At 31 December 2014	168,013	47,190	49,522	165,223	59,380	489,328
Additions	-	-	189	1,250	-	1,439
Disposals	-	-	(3,790)	-	-	(3,790)
At 31 December 2015	168,013	47,190	45,921	166,473	59,380	486,977
Accumulated depreciation						
At 31 December 2013	153,663	47,190	45,763	140,929	36,880	424,425
Charge for the year	2,201	-	399	11,809	14,222	28,631
On disposals	(1,850)	-	(180)	-	(28,500)	(30,530)
At 31 December 2014	154,014	47,190	45,982	152,738	22,602	422,526
Charge for the year	3,117	-	810	10,957	17,000	31,884
On disposals	-	-	(3,790)	-	-	(3,790)
At 31 December 2015	157,131	47,190	43,002	163,695	39,602	450,620
Net book value						
At 31 December 2015	10,882	-	2,919	2,778	19,778	36,357
At 31 December 2014	13,999	-	3,540	12,485	36,778	66,802

The Group operates from premises leased at a monthly rental of BD2,628 (2014: BD2,628) per month.

12) Other liabilities

	31 December 2015	31 December 2014
Ijarah Muntahia Bittamleek payables	438,881	416,411
Other payables	47,624	13,016
Accrued expenses	89,354	71,788
	575,859	501,215

13) Share capital

	31 December 2015	31 December 2014
Authorised		
400,000,000 (2014: 400,000,000) ordinary shares of 100 Fils each	40,000,000	40,000,000
Issued and fully paid-up		
240,429,000 (2014: 240,429,000) ordinary shares of 100 Fils each	24,042,900	24,042,900

Treasury Shares:

The Company had decided in the Annual General Meeting held on 24 April 2014 to purchase back 12,021,450 shares of 100 Fils each, amounting to BD1,202,145, which represents 5% of the share capital. The Company 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 year, the Company purchased the treasury shares amounting to BD1,161,202 and balance is still in the process of transferring the remaining shares.

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 or those who hold interest of 5% or more and the number of shares at 31 December 2015 and 2014 are as follows:

	31 December 2015		
Nationality	Number of shares	Percentage of shareholding interest	
Gimbal Holding Co. S.P.C.	Bahraini	105,450,354	43.85%
Inovent B.S.C.	Bahraini	24,042,900	10%
Ossis B.S.C.(c)	Bahraini	24,042,900	10%
H.E. Sheikh Sultan Bin Khalifa Al Nahyan	Emirati	13,223,595	5.5%
		166,759,749	69.35%

	31 December 2014		
Nationality	Number of shares	Percentage of shareholding interest	
Gimbal Holding Co. S.P.C.	Bahraini	113,001,630	47%
Inovent B.S.C.	Bahraini	24,042,900	10%
Ossis B.S.C.(c)	Bahraini	24,042,900	10%
H.E. Sheikh Sultan Bin Khalifa Al Nahyan	Emirati	13,223,595	5.5%
		174,311,025	72.50%

Notes to the consolidated financial statements for the year ended 31 December 2015

(Expressed in Bahraini Dinars)

13) Share capital (continued)

Details of the Directors' interests in the Company's shares as at 31 December 2015 and 31 December 2014 are as follows:

Name of the directors	2015 Number of shares	2014 Number of shares
Saud Kanoo	2,404,290	2,404,290
Faisal Al Matrook	2,404,290	2,404,290
	<u>4,808,580</u>	<u>4,808,580</u>

14) 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 BD61,829 has been transferred to the statutory reserve (2014: BD110,642).

(ii) Properties fair value reserve

The revaluation reserve represents the net surplus arising on revaluation of investment in real estate (Note 9). This reserve is not available for distribution.

15) Dividends

Declared and paid

A dividend of BD513,922 representing 2.25% of the total issued and fully paid-up share capital of the Company for the year ended 31 December 2014 (2014: BDNil for the year ended 31 December 2013) was approved by the shareholders in the Annual General Meeting of the shareholders held on 26 March 2015, declared and subsequently paid.

Proposed by the Board of Directors

The Board of Directors of the Company have proposed a cash dividend of BD1,142,038 at 5% of the total issued and fully paid-up share capital (2014: BD513,922 2.25% of the total issued and fully paid-up share capital) of the Company for the year ended 31 December 2015. The proposed dividend only becomes payable once it has been approved by the shareholders in the Annual General Meeting and, accordingly, the proposed dividend has not been accounted for in these financial statements.

16) Profit from investment securities

	31 December 2015	31 December 2014
Dividend from equity-type instruments	14,975	-
Profit from debt-type instruments	252,314	110,063
	<u>267,289</u>	<u>110,063</u>

17) Earnings per share

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

	31 December 2015	31 December 2014
Net profit attributable to the owners	BD618,291	BD1,106,421
Weighted average number of ordinary shares	228,407,550	240,429,000
Basic and diluted earnings per share	Fils 2.7	Fils 4.6

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 net of 12,021,450 treasury shares. There is no difference between the basic and diluted earnings per share. The Company does not have any potentially dilute ordinary shares, hence the dilute earnings per share and basic earnings per share are identical.

18) Related party transactions and balances

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 on arm's length business and 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 2015	31 December 2014	31 December 2015	31 December 2014
Owner's and immediate family members	Ijarah Muntahia Bittamleek	182,540	182,540	10,491	35,669
Directors	Directors remuneration	35,000	35,000	-	-
Subsidiary	Expenditures	64,458	166,850	-	-
Directors	Board member fees and allowances	22,225	23,120	-	-
Key management personnel *	Salaries and other short-term benefits	260,870	280,125	-	-

* Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

Notes to the consolidated financial statements for the year ended 31 December 2015

(Expressed in Bahraini Dinars)

19) Maturity profile

Maturity profile of assets and liabilities is as follows:

	At 31 December 2015				
	Carrying amount	Up to 6 months	6-12 months	1-5 years	5 years and above
Assets					
Cash and bank balances	575,026	575,026	-	-	-
Investment securities	12,228,591	-	-	12,228,591	-
Mudaraba investments	4,697,698	4,697,698	-	-	-
Murabaha financing	4,439,397	1,028,075	1,185,640	2,225,682	-
Ijarah Muntahia Bittamleek and Musharaka	2,275,349	1,333	24,045	862,092	1,387,879
Properties-under-development	412,180	-	-	412,180	-
Investment in real estate	2,597,572	-	-	-	2,597,572
Receivables and prepayments	687,128	487,096	107,236	92,796	-
Property and equipment	36,357	1,130	645	34,582	-
Total assets	27,949,298	6,790,358	1,317,566	15,855,923	3,985,451
Equity and liabilities					
Share capital	24,042,900	-	-	-	24,042,900
Treasury shares	(1,202,145)	-	-	-	(1,202,145)
Statutory reserve	1,211,983	-	-	-	1,211,983
Property fair value reserve	989,463	-	-	-	989,463
Charity reserve	97	-	97	-	-
Retained earnings	2,331,141	-	-	-	2,331,141
Other liabilities	575,859	11,052	119,393	363,061	82,353
Total equity and liabilities	27,949,298	11,052	119,490	363,061	27,455,695

19) Maturity profile (continued)

	At 31 December 2014				
	Carrying amount	Up to 6 months	6-12 months	1-5 years	5 years and above
Assets					
Cash and bank balances	1,693,092	1,693,092	-	-	-
Investment securities	6,001,439	-	-	6,001,439	-
Mudaraba investments	4,568,812	4,568,812	-	-	-
Murabaha financing	5,976,938	4,948,863	-	1,028,075	-
Ijarah Muntahia Bittamleek and Musharaka	3,645,072	8,958	12,197	1,407,172	2,216,745
Properties-under-development	1,529,920	-	-	-	1,529,920
Investment in real estate	3,214,889	-	-	-	3,214,889
Receivables and prepayments	2,367,025	1,598,471	352,219	416,335	-
Property and equipment	66,802	-	6,271	60,531	-
Total assets	29,063,989	12,818,196	370,687	8,913,552	6,961,554
Equity and liabilities					
Share capital	24,042,900	-	-	-	24,042,900
Statutory reserve	1,150,154	-	-	-	1,150,154
Property fair value reserve	1,078,825	-	-	-	1,078,825
Charity reserve	2,294	-	2,294	-	-
Retained earnings	2,288,601	-	-	-	2,288,601
Other liabilities	501,215	2,000	95,026	404,189	-
Total equity and liabilities	29,063,989	2,000	97,320	404,189	28,560,480

20) Risk management

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. These risks and the processes to mitigate these risks have not significantly changed from the previous year.

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Currency rate risk
- Profit rate risk
- Liquidity risk
- Fair value risk
- Operational risk

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 financial losses. Cash is placed with national and multinational banks with good credit ratings. The Group's credit risk arises mainly from the Mudaraba investments, Murahaba financing, receivables of future Ijarah rentals and Musharaka financing and other receivables.

20) Risk management (continued)

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.

i. Credit risk exposure relating to financial position assets are as follows:

	2015 Gross credit exposure	2015 Average credit exposure
Cash and bank balances	575,026	1,134,059
Investment securities	12,228,591	9,115,015
Mudaraba investments	4,697,698	4,633,255
Murabaha financing	4,439,397	5,324,994
Ijarah Muntahia Bittamleek	2,275,349	2,830,885
Property under development	412,180	971,050
Investment in real estate	2,597,572	2,906,231
Receivables and prepayments	687,128	1,527,077
Property and equipment	36,357	51,580
Total balance sheet credit exposure	27,949,298	28,494,146

Average gross credit has been calculated based on the average of balances outstanding during the year ended 31 December 2015.

ii. Geographical distribution of credit exposure

	31 December 2015			
	Bahrain	Other GCC Countries	Europe	Total
Financial position items				
Cash and bank balances	575,026	-	-	575,026
Investment securities	6,533,556	2,724,066	2,970,969	12,228,591
Mudaraba investments	4,697,698	-	-	4,697,698
Murabaha financing	-	976,671	3,462,726	4,439,397
Ijarah Muntahia Bittamleek	2,275,349	-	-	2,275,349
Property under development	412,180	-	-	412,180
Investment in real estate	2,597,572	-	-	2,597,572
Receivables and prepayments	288,006	379,148	19,974	687,128
Property and equipment	36,357	-	-	36,357
Total balance sheet items	17,415,744	4,079,885	6,453,669	27,949,298

The Group uses the geographical location of the credit exposures as the basis to allocate to the respective geographical region as shown above.

20) Risk management (continued)

iii. Industrial distribution of credit exposure

	31 December 2015			
	Banks and financial institutions	Real estate	Others	Total
Balance sheet items				
Cash and bank balances	575,026	-	-	575,026
Investment securities	4,529,850	7,491,441	207,300	12,228,591
Mudaraba investments	4,697,698	-	-	4,697,698
Murabaha financing	-	4,439,397	-	4,439,397
Ijarah Muntahia Bittamleek	-	2,275,349	-	2,275,349
Property under development	-	412,180	-	412,180
Investment in real estate	-	2,597,572	-	2,597,572
Receivables and prepayments	68,482	482,243	136,403	687,128
Property and equipment	-	-	36,357	36,357
Total balance sheet items	9,871,056	17,698,182	380,060	27,949,298

iv. Maturity breakdown of credit exposures

	With in 1 year	1-5 years	5 -10 years	10-20 years	Total
Balance sheet items					
Cash and bank balances	575,026	-	-	-	575,026
Investment securities	-	12,228,591	-	-	12,228,591
Mudaraba investments	4,697,698	-	-	-	4,697,698
Murabaha financing	2,213,715	2,225,682	-	-	4,439,397
Ijarah Muntahia Bittamleek	25,379	825,912	1,129,227	294,831	2,275,349
Property under development	-	412,180	-	-	412,180
Investment in real estate	-	-	2,597,572	-	2,597,572
Receivables and prepayments	594,333	92,795	-	-	687,128
Property and equipment	1,774	34,583	-	-	36,357
Total balance sheet items	8,107,925	15,819,743	3,726,799	294,831	27,949,298

v. Related party balances under credit exposure

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 owners and directors and their close family members, and businesses under their control. The Group's transactions with related parties on arm's length basis and are authorised by the management.

Notes to the consolidated financial statements for the year ended 31 December 2015

(Expressed in Bahraini Dinars)

20) Risk management (continued)

v. Related party balances under credit exposure - continued

A summary of balances with the related parties is as follows:

Related party relationship	Transaction type	Due as at 31 December 2015
Owners & their immediate family members	Ijarah Muntahia Bittamleek	10,491

A summary of the Company's significant transactions with related party is as follows:

Related party relationship	Transaction type	Year ended 31 December 2015
Owner's and immediate family members	Ijarah Muntahia Bittamleek	182,540
Directors	Directors remuneration	35,000
Subsidiary	Expenditure incurred	64,458
Directors	Board member fees and allowances	22,225
Key management personnel	Salaries and other short-term benefits	260,870

vi. Past due and impaired financings and related provisions for impairment

Analysis by industry

Specific provision	Gross exposure	Impairment provisions	Net exposure
Personal	529,448	371,769	157,679

Ageing analysis

Specific provision	Gross exposure	Impairment provisions	Net exposure
Over 3 months up to 1 year	162,156	152,077	10,079
Over 1 year up to 3 years	367,292	219,692	147,600

Analysis by industry

General provision	Impairment provisions
Real estate	353,272

20) Risk management (continued)

vi. Past due and impaired financings and related provisions for impairment (continued)

	Specific	General	2015 Total
Movement in impairment provisions			
Opening balance	676,566	438,272	1,114,838
Charge for the year	10,240	-	10,240
Written-off	(283,745)	-	(283,745)
Allowances no longer required for Ijarah Muntahia Bittamleek rental receivables	(31,292)	(85,000)	(116,292)
Closing balance	371,769	353,272	725,041
	Specific	General	2014 Total
Movement in impairment provisions			
Opening balance	1,082,690	438,272	1,520,962
Charge for the year	111,729	-	111,729
Transferred/reallocated	(205,913)	-	(205,913)
Written-off	(89,763)	-	(89,763)
Allowances no longer required for Ijarah Muntahia Bittamleek rental receivables	(222,177)	-	(222,177)
Closing balance	676,566	438,272	1,114,838

vii. Past due and impaired financings by geographical areas

Analysis by geography	Gross exposure	Impairment provisions	Net exposure
Specific provision			
Bahrain	529,448	371,769	157,679

Analysis by geography	Impairment provision
General provision	
Bahrain	353,272

Details of credit facilities outstanding that they have been restructured during the year:

Analysis industry	Original value	Restructured finance
Personal	60,963	37,439

20) Risk management (continued)

Material legal contingencies

There was no material pending legal contingencies.

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, United States Dollars (USD) and British Pounds (GBP) of which Group's significant transactions are in United States Dollars (USD) and other GCC currencies. The Bahraini Dinars is effectively pegged to the United States Dollar and other GCC currencies and therefore management considers the currency rate risk as minimal. The Group limits their currency rate risk by entering in the forward contract mainly to mitigate the currency exposure in GBP investments. The Group limits their currency rate risk by proactively monitoring the key factors that affect the foreign currency fluctuations.

Foreign exchange sensitivity analysis is as follows:

Currency	Change	Impact on profit	Change	Impact on profit
Sterling Pound	+/-5%	+/-363,307	+/-3%	+/-217,984

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 fixed profit rate 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.

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial losses. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

21) Fair value hierarchy

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

Fair values of quoted securities/Sukuk are derived from quoted market prices in active markets, if available. For unquoted securities/Sukuk, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

21) Fair value hierarchy (continued)

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 31 December 2015 and 31 December 2014:

Investments designated at fair value through statement of income

	Level 1	Level 2	Level 3	Total
<i>For the year ended 31 December 2015</i>				
<i>Quoted Securities</i>				
Sukuk	2,962,350	-	1,567,500	4,529,850
<i>Unquoted Securities</i>				
Equity	-	-	335,432	335,432
Private equities	-	207,300	7,156,009	7,363,309
	2,962,350	207,300	9,058,941	12,228,591
<i>For the year ended 31 December 2014</i>				
<i>Quoted Securities</i>				
Sukuk	3,140,466	-	-	3,140,466
<i>Unquoted Securities</i>				
Equity	-	-	352,260	352,260
Private equities	-	-	2,508,713	2,508,713
	3,140,466	-	2,860,973	6,001,439

Transfers between Level 1, Level 2 and Level 3

During the year ended 31 December 2015 and 2014 there were no transfers between Level 1 and Level 2, and no transfers into or out of Level 3.

22) Capital commitments

Commitments on capital work-in-progress at the end of the year were as follows:

	31 December 2015	31 December 2014
Capital expenditure on property under development	15,950	74,145

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23) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2015	31 December 2014
Not later than 1 year	10,513	25,977
Later than 1 year but not later than 5 years	-	8,659
	<u>10,513</u>	<u>34,636</u>

24) Subsequent events

There were no events subsequent to 31 December 2015 and occurring before the date of signing of the financial statements that would have a significant impact on these consolidated financial statements.