

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

Consolidated condensed interim
financial information for the three
months ended 31 March 2016
(Unaudited)

Reef Real Estate Finance Co. B.S.C. (c)
Financial information for the three months ended 31 March 2016

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Reef Real Estate Finance Co. B.S.C. (c)
Administration and contact details as at 31 March 2016

| | | |
|--|--|-------------------------------|
| Commercial registration no. | 58073 obtained on 10 September 2005 | |
| CBB license | FC/001 obtained on 3 May 2005 | |
| Board of Directors | Mr Ali Ahmed Al Baghli Mr Saud Kanoo Mr Faisal Al Matrook Mr Nasser Abdulhadi Al Gharibah Mr Samer Abbouchi Mr Waleed Al Khaja Mr Yasser Al-Jar (From 2 February 2016) Mr Mohammed Abdulla Isa (Till 10 January 2016) | (Chairman) (Vice-Chairman) |
| Chief Executive Officer | Mr Mahmood Al Koofi (Till 31 January 2016) | |
| Acting Chief Executive Officer | Mr Hassan Dhaif (From 1 February 2016) | |
| Executive Committee | Mr Faisal Al Matrook Mr Nasser Abdulhadi Al Gharibah Mr Samer Abbouchi | (Chairman) |
| Nomination and Remuneration Committee | Mr Ali Ahmed Al Baghli Mr Faisal Al Matrook Mr Saud Kanoo | (Chairman) |
| Audit Committee | Mr Saud Kanoo Mr Waleed Al Khaja Mr Yasser Al-Jar (From 2 February 2016) Mr Mohammed Abdulla Isa (Till 10 January 2016) | (Chairman) |
| Sharia'a Supervisory Advisor | Shaikh Dr. Osama Bahar | |
| Registered office | YBA Kanoo Tower Flat 114, Building 155 Road 1703, Block 317 PO Box 18599 Diplomatic Area, Manama Kingdom of Bahrain | |
| Bankers | Ithmaar Bank Ahli United Bank Kuwait Finance House Al Baraka Islamic Bank Khaleeji Commercial Bank BMI Bank Al Salam Bank Citi Bank Bahrain Islamic Bank | |
| Auditors | BDO 17 th Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain | |

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

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of Reef Real Estate Finance B.S.C. (c) ("the Company") and its subsidiaries (collectively referred as "the Group"), as at 31 March 2016, the consolidated condensed interim statement of income, the consolidated condensed interim statement of changes in Owners' equity, the consolidated condensed interim statement of cash flows for the three months then ended, and selected explanatory notes. The Company's Board of Directors is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions and the Sharia'a Rules and Principles as determined by the Sharia'a Supervisory Advisor of the Company. Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information does not present fairly, in all material respects, the financial position of the Group as at 31 March 2016, and of its financial performance and its cash flows for the three months then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and the Sharia'a Rules and Principles as determined by the Sharia'a Supervisory Advisor of the Company.



Manama, Kingdom of Bahrain
20 April 2016

Reef Real Estate Finance Co. B.S.C. (c)
 Consolidated condensed interim statement of financial position as at 31 March 2016
 (Unaudited)
 (Expressed in Bahraini Dinars)

| | <u>Notes</u> | 31 March 2016 (Unaudited) | 31 December 2015 (Audited) |
|---|--------------|---------------------------------|----------------------------------|
| ASSETS | | | |
| Cash and bank balances | | 1,102,112 | 575,026 |
| Investment securities | 3 | 16,112,366 | 12,228,591 |
| Mudaraba investments | 4 | 3,000,000 | 4,697,698 |
| Murabaha financing | 5 | 2,069,244 | 4,439,397 |
| Ijarah Muntahia Bittamleek | 6 | 2,069,350 | 2,275,349 |
| Properties-under-development | | 412,180 | 412,180 |
| Investment in real estate | 7 | 2,596,028 | 2,597,572 |
| Receivables and prepayments | 8 | 458,169 | 687,128 |
| Property and equipment | | <u>31,415</u> | <u>36,357</u> |
| Total assets | | <u>27,850,864</u> | <u>27,949,298</u> |
| LIABILITIES AND OWNERS' EQUITY | | | |
| Liabilities | | | |
| Other liabilities | | <u>505,438</u> | <u>575,859</u> |
| Owners' Equity | | | |
| Share capital | 9 | 24,042,900 | 24,042,900 |
| Treasury shares | 9 | (1,202,145) | (1,202,145) |
| Statutory reserve | | 1,211,983 | 1,211,983 |
| Properties fair value reserve | | 989,463 | 989,463 |
| Foreign currency translation reserve | | (129,003) | - |
| Charity reserve | | - | 97 |
| Retained earnings | | <u>2,432,228</u> | <u>2,331,141</u> |
| | | <u>27,345,426</u> | <u>27,373,439</u> |
| Total liabilities and Owners' equity | | <u>27,850,864</u> | <u>27,949,298</u> |

The unaudited condensed interim financial information, set out on pages 4 to 16, approved and authorised for issue by the Board of Directors on 20 April 2016 and signed on their behalf by:

Ali Ahmed Al Baghli
 Chairman

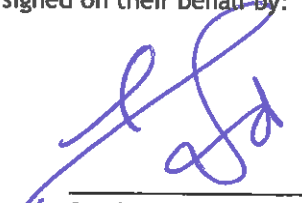
Saud Kanoo
 Vice Chairman

Reef Real Estate Finance Co. B.S.C. (c)
 Consolidated condensed interim statement of income for the three months ended 31 March 2016
 (Unaudited)
 (Expressed in Bahraini Dinars)

| | Notes | Three months ended 31 March 2016 (Unaudited) | Three months ended 31 March 2015 (Unaudited) |
|--|-------|--|--|
| Income | | | |
| Gross Ijarah income | | 183,836 | 303,890 |
| Less: Depreciation on Ijarah Muntahia Bittamleek | 6 | <u>95,666</u> | <u>122,862</u> |
| | | 88,170 | 181,028 |
| Income from investment securities | | 81,390 | 59,490 |
| Profit from Murabaha financing | | 73,153 | 209,245 |
| Net rental income from investment in real estate | | 19,385 | 31,192 |
| Profit from Mudaraba investments | | 13,219 | 22,475 |
| Fees from financing activities | | 731 | 12,571 |
| Unrealised fair value gain on investment securities | | - | 9,434 |
| Net gain on sale of investment in real estate | | - | 71,821 |
| Allowance no longer required for ijarah Muntahia Bittamleek rental receivables and Murabaha financing | | <u>125,000</u> | <u>35,876</u> |
| | | <u>401,048</u> | <u>633,132</u> |
| Expenses | | | |
| Staff costs | | 112,529 | 104,253 |
| General and administrative expenses | | 62,806 | 73,603 |
| Depreciation of property and equipment | | 6,420 | 8,450 |
| Depreciation on investment in real estate | 7 | 1,544 | 1,693 |
| Allowances and provisions | | 900 | 4,502 |
| Net foreign exchange losses | | 77,767 | 342,368 |
| Unrealised fair value losses on revaluation of investment in securities | | <u>37,995</u> | <u>-</u> |
| | | <u>299,961</u> | <u>534,869</u> |
| Net profit for the period | | <u>101,087</u> | <u>98,263</u> |
| Basic and diluted earnings per share | 10 | <u>Fils0.44</u> | <u>Fils0.41</u> |

The unaudited condensed interim financial information, set out on pages 4 to 16, approved and authorised for issue by the Board of Directors on 20 April 2016 and signed on their behalf by:


 Ali Ahmed Al Baghli
 Chairman


 Saud Kanoo
 Vice Chairman

Reef Real Estate Finance Co. B.S.C. (c)
 Consolidated condensed interim statement of changes in Owners' equity for the three months ended 31 March 2016
 (Unaudited)
 (Expressed in Bahraini Dinars)

| | Share capital | Treasury shares | Statutory reserve | Properties fair value reserve | Charity reserve | Foreign currency translation reserve | Retained earnings | Total |
|-------------------------------|---------------|-----------------|-------------------|-------------------------------|-----------------|--------------------------------------|-------------------|-------------|
| At 31 December 2014 (Audited) | 24,042,900 | - | 1,150,154 | 1,078,825 | 2,294 | - | 2,288,601 | 28,562,774 |
| Treasury shares | - | (1,202,145) | - | - | - | - | - | (1,202,145) |
| Charity reserve movement | - | - | - | - | 292 | - | - | 292 |
| Net profit for the period | - | - | - | - | - | - | 98,263 | 98,263 |
| At 31 March 2015 (Unaudited) | 24,042,900 | (1,202,145) | 1,150,154 | 1,078,825 | 2,586 | - | 2,386,864 | 27,459,184 |
| At 31 December 2015 (Audited) | 24,042,900 | - | 1,211,983 | 989,463 | 97 | - | 2,331,141 | 27,373,439 |
| Charity reserve movement | - | - | - | - | (97) | - | - | (97) |
| Net profit for the period | - | - | - | - | - | - | 101,087 | 101,087 |
| Foreign currency translation | - | - | - | - | - | (129,003) | - | (129,003) |
| At 31 March 2016 (Unaudited) | 24,042,900 | (1,202,145) | 1,211,983 | 989,463 | - | (129,003) | 2,432,278 | 27,345,426 |

Reef Real Estate Finance Co. B.S.C. (c)
Consolidated condensed interim statement of cash flows
for the three months ended 31 March 2016
(Unaudited)
(Expressed in Bahraini Dinars)

| | Notes | Three months ended 31 March 2016 (Unaudited) | Three months ended 31 March 2015 (Unaudited) |
|--|-------|--|--|
| Operating activities | | | |
| Net profit for the period | | 101,087 | 98,263 |
| Adjustments for: | | | |
| Depreciation on property and equipment | | 6,420 | 8,450 |
| Depreciation on Ijarah Muntahia Bittamleek | 6 | 95,666 | 122,862 |
| Depreciation on investment in real estate | 7 | 1,544 | 1,693 |
| Unrealised fair value loss/(gain) on investment securities | 3 | 37,995 | (9,434) |
| Foreign exchange losses on translation of investment in securities | | 156,026 | 17,869 |
| Realised gain on sale of investment in real estate | | - | (71,821) |
| Changes in operating assets and liabilities: | | | |
| Receivables and prepayments | | 228,959 | (162,422) |
| Other liabilities | | <u>(70,421)</u> | <u>846,376</u> |
| Net cash provided by operating activities | | <u>557,276</u> | <u>851,836</u> |
| Investing activities | | | |
| Net movement in Murabaha financing | | 2,370,153 | 250,823 |
| Net movement in properties-under-development | | - | (28,350) |
| Purchase of property and equipment | | (1,905) | - |
| Additions in investment securities | | (4,077,796) | (1,508,053) |
| Net Movement in Mudaraba investments | | 1,697,698 | 502,832 |
| Net movement in Ijarah Muntahia Bittamleek | | 110,333 | 678,347 |
| Net movement in the foreign currency translation reserve | | (129,003) | - |
| Proceeds from sale of plant and equipment | | 427 | - |
| Proceeds from sale of investment in real estate | | <u>-</u> | <u>285,000</u> |
| Net (used in)/provided by investing activities | | <u>(30,093)</u> | <u>180,599</u> |
| Financing activities | | | |
| Purchase of treasury shares | | - | (1,202,145) |
| Charity reserve movement | | <u>(97)</u> | <u>292</u> |
| Net cash used in financing activities | | <u>(97)</u> | <u>(1,201,853)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 527,086 | (169,418) |
| Cash and cash equivalents, beginning of the period | | <u>575,026</u> | <u>1,693,092</u> |
| Cash and cash equivalents, end of the period | | <u>1,102,112</u> | <u>1,523,674</u> |

1 Organisation and principal activities

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

The principal activities of the Company include:

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

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

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

2 Basis of preparation

The condensed interim financial information have been prepared in accordance with the Financial Accounting Standards 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.

Therefore, in the absence of relevant standards in AAOIFI relating interim financial statements, the guidance from International Accounting Standard 34 - “Interim Financial Reporting” is used in preparation of these interim condensed consolidated financial information for quarter ended 31 March 2016. The condensed interim financial information should therefore be read in conjunction with the annual audited financial statements of the Company for the year ended 31 December 2015.

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

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

The structure of the Group is as follows:

Subsidiaries

| <u>Name of subsidiary</u> | <u>Country of incorporation</u> | <u>Principal activities</u> | Effective ownership interest | Effective ownership interest |
|------------------------------|---------------------------------|----------------------------------|------------------------------|------------------------------|
| | | | <u>2016</u> | <u>2015</u> |
| First Reef B.S.C. (c) | Kingdom of Bahrain | Buying and selling of properties | 99.9% | 99.9% |
| Reef Investment UK B.S.C (c) | Kingdom of Bahrain | To Issue Funds | 99.9% | 99.9% |

Reef Real Estate Finance Co. B.S.C. (c)
 Selected explanatory notes to the consolidated condensed interim financial information
 for the three months ended 31 March 2016
 (Unaudited)
 (Expressed in Bahraini Dinars)

3 Investment securities

| | 31 March 2016 (Unaudited) | 31 December 2015 (Audited) |
|--|---------------------------------|----------------------------------|
| Opening balance | 12,228,591 | 6,001,439 |
| Additions | 4,077,796 | 6,421,218 |
| Foreign exchange losses on translation of investment securities | (156,026) | (40,767) |
| Unrealised fair value losses for the period | <u>(37,995)</u> | <u>(153,299)</u> |
| | <u>16,112,366</u> | <u>12,228,591</u> |

| | 31 March 2016 (Unaudited) | 31 December 2015 (Audited) |
|--|---------------------------------|----------------------------------|
| Investment in equity-type instruments - Unquoted | | |
| <i>Equity investments</i> | 325,298 | 335,432 |
| <i>Private investments</i> | 11,279,299 | 7,363,309 |
| Investment in debt-type instruments- Quoted | <u>4,507,769</u> | <u>4,529,850</u> |
| | <u>16,112,366</u> | <u>12,228,591</u> |

Investment - securities-wise analysis:

| | | 31 March 2016 (Unaudited) | 31 December 2015 (Audited) |
|---|-----|---------------------------------|----------------------------------|
| <i>Equity-type instruments</i> | | | |
| Amwaj Property Limited | | 325,298 | 335,432 |
| Manazel Qurtoba 2 Fund | (a) | 1,008,713 | 1,008,713 |
| Jenina Real Estate Development Co. Ltd | (b) | 1,508,053 | 1,508,053 |
| National Air Traffic Services Project (NATS) | (c) | 542,164 | 559,053 |
| SICO Kingdom Equity Fund | (d) | 191,386 | 207,300 |
| Difaaf Development Limited | (e) | 2,003,706 | 2,003,706 |
| Equity type instruments carried at fair value through equity | | | |
| APL PH1 Limited | (f) | 2,013,751 | 2,076,484 |
| Jersey SPV - 3M Bracknell | (g) | 1,626,491 | - |
| APL 2B | (h) | <u>2,385,035</u> | - |
| | | 11,604,597 | 7,698,741 |
| <i>Debt-type instruments carried at fair value through statement of income</i> | | | |
| CBB sukuk | (i) | <u>4,507,769</u> | <u>4,529,850</u> |
| | | <u>16,112,366</u> | <u>12,228,591</u> |

- (a) During the year 2013, the Group has invested BD1,008,713 in acquiring shares in Manazel Qurtoba 2 fund, floated by MEFIC Capital in Kingdom of Saudi Arabia. The main objective of Fund is to develop a property in Northern Riyadh, Kingdom of Saudi Arabia.
- (b) During the year 2014, the Group has invested BD1,508,053 in Sky palaces project, Business Bay Dubai through an SPV "Jenina Real Estate Development Co. Ltd".

Reef Real Estate Finance Co. B.S.C. (c)
 Selected explanatory notes to the consolidated condensed interim financial information
 for the three months ended 31 March 2016
 (Unaudited)
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3 Investment securities (continued)

- (c) During 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 capital appreciation and rental yield from NATS (National Air Traffic Services Project).
- (d) During 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 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 2015, 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, the Group has invested GBP3,000,000 in Jersey Fin Co. ("SPV") - 3M Bracknell project, United Kingdom. The main objective of fund is capital appreciation and rental yield.
- (h) During the year, the Group has invested BD2,363,309 in acquiring the shares in APL 2B. The objective of the Company is to develop a property in United Kingdom.
- (i) During 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 BD2,940,269 (2015: BD2,962,350). These units are listed. The Group has fair valued the Sukuks at 31 March 2016 and the recorded net loss of BD22,081 in the consolidated statement of income.

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 | 2016 (Unaudited) | 2015 (Audited) |
|-----------------------|---------------------|-------------------|
| Great Britain Pounds | 6,892,739 | 2,970,969 |
| United States Dollars | 5,135,361 | 5,173,356 |
| Saudi Riyals | 1,008,713 | 1,008,713 |
| Arab Emirates Dirhams | 1,508,053 | 1,508,053 |
| Bahraini Dinars | <u>1,567,500</u> | <u>1,567,500</u> |
| | <u>16,112,366</u> | <u>12,228,591</u> |

Reef Real Estate Finance Co. B.S.C. (c)
 Selected explanatory notes to the consolidated condensed interim financial information
 for the three months ended 31 March 2016
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4 Mudaraba investments

| | 31 March 2016 <u>(Unaudited)</u> | 31 December 2015 <u>(Audited)</u> |
|--------------------------|--|---|
| Ithmaar Bank | 1,000,000 | 1,000,000 |
| Al Salam Bank | 1,000,000 | 1,614,959 |
| Bahrain Islamic Bank | 1,000,000 | 1,000,000 |
| Khaleeji Commercial Bank | - | 65,980 |
| Kuwait Finance House | <u>-</u> | <u>1,016,759</u> |
| | <u>3,000,000</u> | <u>4,697,698</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 period, the earned including accrued on mudaraba investment amounted to BD13,219 (2015: BD22,475).

5 Murabaha financing

| | | 31 March 2016 <u>(Unaudited)</u> | 31 December 2015 <u>(Audited)</u> |
|--|--|--|---|
| Amwaj Property Limited (APL) (a) | | - | 2,459,334 |
| Amwaj Property Limited (APL) - Mezzanine 2 (b) | | 1,149,821 | 1,185,640 |
| Omniyat Properties Six Limited (c) | | 1,028,075 | 1,028,075 |
| General provision for the year* | | <u>(108,652)</u> | <u>(233,652)</u> |
| | | <u>2,069,244</u> | <u>4,439,397</u> |

* General provision represents the 5% of Murabaha Financing.

The movement in general provision is as follows:

| | 31 March 2015 <u>(Unaudited)</u> | 31 December 2015 <u>(Audited)</u> |
|---|--|---|
| Opening balance | 233,652 | - |
| Transferred from Ijarah Muntahia Bittamleek and Musharaka | - | 233,652 |
| Provision written-back | <u>125,000</u> | <u>-</u> |
| Closing balance | <u>108,652</u> | <u>233,652</u> |

- During the period, the Amwaj Property Limited (APL) has fully repaid the facility amounting to BD2,459,334.
- 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 period amounting to BD37,759 (2015: BD60,368).
- 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 Group has extended the project up to July 2016 and the accrued profit on this murabaha financing with Omniyat Properties Six Limited for the period ended amounting to BD35,394 (2015: BD38,025).

Reef Real Estate Finance Co. B.S.C. (c)
 Selected explanatory notes to the consolidated condensed interim financial information
 for the three months ended 31 March 2016
 (Unaudited)
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6 Ijarah Muntahia Bittamleek

| | <u>Lands</u> | <u>Buildings</u> | <u>Total</u> |
|---|------------------|--------------------|--------------------|
| Cost | | | |
| 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 | <u>(566,217)</u> | <u>(1,378,369)</u> | <u>(1,944,586)</u> |
| At 31 December 2015 | 618,210 | 7,180,361 | 7,798,571 |
| Payment received/disposals | <u>(41,281)</u> | <u>(215,037)</u> | <u>(256,318)</u> |
| At 31 March 2016 | <u>576,929</u> | <u>6,965,324</u> | <u>7,542,253</u> |
| Depreciation | | | |
| At 31 December 2014 | - | (5,622,374) | (5,622,374) |
| Charged for the year | - | (429,115) | (429,115) |
| Disposals | <u>-</u> | <u>647,887</u> | <u>647,887</u> |
| At 31 December 2015 | - | (5,403,602) | (5,403,602) |
| Charged for the period | - | (95,666) | (95,666) |
| Disposals | <u>-</u> | <u>145,985</u> | <u>145,985</u> |
| At 31 March 2016 | <u>-</u> | <u>(5,353,283)</u> | <u>(5,353,283)</u> |
| 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 | <u>-</u> | <u>233,652</u> | <u>233,652</u> |
| At 31 December 2015 and 31 March 2016 | <u>-</u> | <u>(119,620)</u> | <u>(119,620)</u> |
| Net book value | | | |
| At 31 March 2016 | <u>576,929</u> | <u>1,492,421</u> | <u>2,069,350</u> |
| At 31 December 2015 | <u>618,210</u> | <u>1,657,139</u> | <u>2,275,349</u> |

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

The Ijarah Muntahia Bittamleek contracts outstanding at 31 March 2016 have lease terms of up to 17 years.

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

Reef Real Estate Finance Co. B.S.C. (c)
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7 Investment in real estate

| | <u>Investment properties for capital appreciation</u> | <u>Investment properties for periodical consideration</u> | <u>Total</u> |
|--|---|---|------------------|
| Cost/Revalued | | | |
| As at 31 December 2013 | 376,208 | 2,858,195 | 3,234,403 |
| Additions during the year | 420,402 | 1,447 | 421,849 |
| Disposals | <u>(420,402)</u> | <u>-</u> | <u>(420,402)</u> |
| As at 31 December 2014 | 376,208 | 2,859,642 | 3,235,850 |
| Disposals | <u>(376,208)</u> | <u>(236,906)</u> | <u>(613,114)</u> |
| As at 31 December 2015 and 31 March 2016 | <u>-</u> | <u>2,622,736</u> | <u>2,622,736</u> |
| Depreciation | | | |
| As at 31 December 2013 | - | 1,194 | 1,194 |
| Charge for the year | <u>-</u> | <u>19,767</u> | <u>19,767</u> |
| As at 31 December 2014 | - | 20,961 | 20,961 |
| Charge for the year | <u>-</u> | <u>6,474</u> | <u>6,474</u> |
| On disposals | <u>-</u> | <u>(2,271)</u> | <u>(2,271)</u> |
| As at 31 December 2015 | - | 25,164 | 25,164 |
| Charge for the period | <u>-</u> | <u>1,544</u> | <u>1,544</u> |
| As at 31 March 2016 | <u>-</u> | <u>26,708</u> | <u>26,708</u> |
| Net book value | | | |
| At 31 March 2016 | <u>-</u> | <u>2,596,028</u> | <u>2,596,028</u> |
| At 31 December 2015 | <u>-</u> | <u>2,597,572</u> | <u>2,597,572</u> |

Included in investment properties for periodical consideration is the net book value of furniture and fixtures of BD4,160 (2015: BD5,705) which is depreciated over their useful lives.

During the year, the net earned including accrued periodical consideration on investment in real estate amounted to BD19,385 (2015: BD31,192).

| | <u>31 March 2016</u> | <u>31 March 2015</u> |
|--------------------------------------|--------------------------|--------------------------|
| Rental income | 33,803 | 40,505 |
| Maintenance and electricity expenses | <u>(14,418)</u> | <u>(9,313)</u> |
| | <u>19,385</u> | <u>31,192</u> |

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8 Receivables and prepayments

| | <u>31 March 2016</u> | <u>31 December 2015</u> |
|---|--------------------------|-----------------------------|
| Ijarah Muntahia Bittamleek rental receivables | 347,306 | 346,162 |
| Allowance for doubtful Ijarah Muntahia Bittamleek rental receivables | (262,041) | (262,041) |
| Other receivables | 263,592 | 201,523 |
| Allowance for other receivables | (110,628) | (109,728) |
| Prepayments | 36,090 | 27,633 |
| Accrued profit on investment securities | 83,796 | 71,897 |
| Accrued profit on Murabaha financing | 86,902 | 400,122 |
| Accrued profit on Mudaraba investments | <u>13,152</u> | <u>11,560</u> |
| | <u>458,169</u> | <u>687,128</u> |

9 Share capital

| | <u>31 March 2016</u> (Unaudited) | <u>31 December 2015</u> (Audited) |
|---|---|--|
| Authorised | | |
| 400,000,000 (2015: 400,000,000) ordinary shares of 100 Fils each | <u>40,000,000</u> | <u>40,000,000</u> |
| Issued and fully paid-up | | |
| 240,429,000 (2015: 240,429,000) ordinary shares of 100 Fils each | <u>24,042,900</u> | <u>24,042,900</u> |

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

Treasury Shares:

The 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 2015, the Company purchased the treasury shares amounting to BD1,161,202 and balance during the period ended 31 March 2016.

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

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10 Earnings per share

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

| | Three months ended 31 March 2016 (Unaudited) | Three months ended 31 March 2015 (Unaudited) |
|---|--|--|
| Net profit attributable to the shareholders | <u>BD101,087</u> | <u>BD98,263</u> |
| Weighted average number of ordinary shares | <u>228,407,550</u> | <u>240,429,000</u> |
| Basic and diluted earnings per share | <u>Fils0.44</u> | <u>Fils0.41</u> |

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

11 Related party transactions

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

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

| Related party relationship | Transaction type | For the period ended transaction amount | | Amounts due from related parties | |
|--|---|--|---------------------------------|-------------------------------------|----------------------------------|
| | | 31 March 2016 (Unaudited) | 31 March 2015 (Unaudited) | 31 March 2016 (Unaudited) | 31 December 2015 (Audited) |
| Owner's and immediate family members | Ijarah Muntahia Bittamleek | <u>182,540</u> | <u>182,540</u> | <u>4,196</u> | <u>29,374</u> |
| Subsidiary | Expenditures | <u>1,000</u> | <u>28,500</u> | <u>-</u> | <u>-</u> |
| Directors | Board member fees and allowances | <u>6,850</u> | <u>5,650</u> | <u>-</u> | <u>-</u> |
| Key management personnel * | Salaries and other short- term benefits | <u>45,262</u> | <u>54,465</u> | <u>-</u> | <u>-</u> |
| Directors | Premises leased | <u>7,885</u> | <u>7,885</u> | <u>-</u> | <u>-</u> |

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

12 Interim financial information

The interim net profit for the three months ended 31 March 2016 may not represent a proportionate share of the annual net income due to the variability in the receipt of income.

13 Subsequent events

There were no significant events subsequent to 31 March 2016 and occurring before the date of the report that has a significant impact on these financial statements.