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

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

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

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

Commercial registration no.	58073 obtained on 10 September 2005	
CBB license	FC/001 obtained on 3 May 2005	
Board of Directors	Mr Ali Ahmed Al Baghli	(Chairman)
	Mr Saud Kanoo	(Vice-Chairman)
	Mr Faisal Al Matrook	
	Mr Nasser Abdulhadi Al Gharibah	
	Mr Samer Abbouchi	
	Mr Mohammed Abdulla Isa	
	Mr Waleed Al Kaja	
	Mr Mohamed A.Khaliq (Till 26 March 2015)	
Chief Executive Officer	Mr Mahmood Al Koofi	
Executive Committee	Mr Faisal Al Matrook	(Chairman)
	Mr Nasser Abdulhadi Al Gharibah	
	Mr Samer Abbouchi	
Nomination and remuneration committee	Mr Ali Ahmed Al Baghli	(Chairman)
	Mr Saud Kanoo	
	Mr Faisal Al Matrook	
Audit Committee	Mr Saud Kanoo	(Chairman)
	Mr Mohammed Abdulla Isa	
	Mr Waleed Al Kaja	
	Mr Mohamed A.Khaliq (Till 26 March 2015)	
Sharia'a Supervisory Advisor	Shaikh Dr. Osama Bahar	
Registered office	YBA Kanoo Tower Flat 114, Building 155 Road 1703, Block 317 PO Box 18599 Diplomatic Area, Manama Kingdom of Bahrain	
Bankers	Ithmaar Bank Ahli United Bank Kuwait Finance House Al Baraka Islamic Bank Khaleeji Commercial Bank BMI Bank Al Salam Bank Citi Bank	
Auditors	BDO 17th Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain	

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

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of Reef Real Estate Finance B.S.C. (c) ("the Company") and its subsidiaries ("the Group") as at 30 June 2015, the consolidated condensed interim statement of income, the consolidated condensed interim statement of comprehensive income, the consolidated condensed interim statement of changes in Owners' equity, the consolidated condensed interim statement of cash flows for the quarter and the six months then ended, and selected explanatory notes. The Company's Board of Directors is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions and the Sharia'a Rules and Principles as determined by the Sharia'a Supervisory Advisor of the Company. Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information does not present fairly, in all material respects, the financial position of the Group as at 30 June 2015, and of its financial performance and its cash flows for the quarter and the six months then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and the Sharia'a Rules and Principles as determined by the Sharia'a Supervisory Advisor of the Company.

Manama, Kingdom of Bahrain
14 July 2015

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

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

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

Ali Ahmed Al Baghli
Chairman

Saud Kanoo
Vice Chairman

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

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

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

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

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

	Share capital	Treasury shares	Statutory reserve	Properties fair value reserve	Charity reserve	Retained earnings	Total
At 31 December 2013 (Audited)	24,042,900	-	1,039,512	1,078,825	2,770	1,292,822	27,456,829
Charity reserve movement	-	-	-	-	7	-	7
Net profit for the period	-	-	-	-	-	703,558	703,558
At 30 June 2014 (Unaudited)	24,042,900	-	1,039,512	1,078,825	2,777	1,996,380	28,160,394
At 31 December 2014 (Audited)	24,042,900	-	1,150,154	1,078,825	2,294	2,288,601	28,562,774
Treasury shares purchased	-	(1,202,145)	-	-	-	-	(1,202,145)
Dividend paid during the period	-	-	-	-	-	(513,922)	(513,922)
Charity reserve movement	-	-	-	-	5,292	-	5,292
Total comprehensive income for the period	-	-	-	(43,694)	-	721,852	678,158
At 30 June 2015 (Unaudited)	24,042,900	(1,202,145)	1,150,154	1,035,131	7,586	2,496,531	27,530,157

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

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

1 Organisation and principal activities

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

The principal activities of the Company include:

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

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

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

2 Basis of preparation

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

Therefore, in the absence of relevant standards in AAOIFI relating interim financial statements, the guidance from International Accounting Standard 34 - "Interim Financial Reporting" is used in preparation of these interim condensed consolidated financial information for the quarter and the six months ended 30 June 2015. The condensed interim financial information should therefore be read in conjunction with the annual audited financial statements of the Company for the year ended 31 December 2014.

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

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

The structure of the Group is as follows:

Subsidiaries

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%

3 Investment securities

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

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

Investment – securities-wise analysis:

		30 June 2015 (Unaudited)	31 December 2014 (Audited)
Equity-type instruments			
Amwaj Property Limited		355,677	352,260
Manazel Qurtoba 2 fund	(a)	1,008,713	1,008,713
Jenina Real Estate Development Co. Ltd	(b)	1,508,053	1,500,000
		2,872,443	2,860,973
Debt-type instruments			
CBB sukuk	(c)	4,638,861	3,140,466
		7,511,304	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 Fund is to develop a property in Northern Riyadh, Kingdom of Saudi Arabia.

(b) During the year 2014, the Group has invested BD1,508,053 in Sky palaces project, Business Bay Dubai through an SPV "Jenina Real Estate Development Co. Ltd".

(c) During the period 2015, the Group has invested BD1,500,000 in acquiring units Government Islamic Leasing Sukuk-Issue 22 (GILS22.SUK) due in 2025. The Group total investment in Sukuk "CBB international Sukuk" floated by the Central Bank of Bahrain amounting to BD3,071,361 (2013: BD3,140,466). These units are listed. The Group has fair valued the Sukuks at 30 June 2015 and the recorded net loss of BD1,605 in the consolidated statement of income.

3 Investment securities (continued)

Investment securities are denominated in the following currencies:

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

4 Mudaraba investments

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

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

5 Murabaha financing

		30 June 2015 (Unaudited)	31 December 2014 (Audited)
Amwaj Property Limited (APL)	(a)	3,201,092	3,170,340
Amwaj Property Limited (APL) – Mezzanine 2	(b)	1,795,999	1,778,523
Omniyat Properties Six Limited	(c)	1,028,075	1,028,075
		6,025,166	5,976,938

a) The Murabaha financing with Amwaj Property Limited (APL) is unsecured, bears a compounded quarterly profit of 12.5% per annum and an arrangement fee of 1% and is expected to be received on 15 March 2016. The accrued profit on murabaha financing with Amwaj Property Limited (APL) for the six months period amounting to BD110,852 (2014: 267,535).

b) The Murabaha financing Mezzanine 2 with Amwaj Property Limited (APL) is unsecured, bears a compounded quarterly profit of 12.5% per annum. The accrued profit on murabaha financing with Amwaj Property Limited (APL) for the six months period amounting to BD114,019 (2014: 101,011).

c) The Omniyat Properties Six Limited (OPUS Project) is secured, bears a profit of 15% per annum and is expected to be received at the end of two and half years from the date of investment i.e. 16 June 2013. This project is based in Dubai, UAE. The accrued profit on murabaha financing with Omniyat Properties Six Limited for the six months period amounting to BD76,472 (2014: BD76,472).

6 Ijarah Muntahia Bittamleek

	Land	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 (Audited)	420,974	9,284,744	9,705,718
Additions*	-	37,439	37,439
Payment received/disposals during the period	(322,690)	(1,116,725)	(1,439,415)
At 30 June 2015 (Unaudited)	98,284	8,205,458	8,303,742
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 (Audited)	-	(5,622,374)	(5,622,374)
Charged for the period	-	(228,448)	(228,448)
Disposals during the period	-	555,913	555,913
At 30 June 2015 (Unaudited)	-	(5,294,909)	(5,294,909)
Impairment provision			
At 31 December 2014 (Audited)	(5,071)	(433,201)	(438,272)
Provision no longer required	-	30,000	30,000
At 30 June 2015 (Unaudited)	(5,071)	(403,201)	(408,272)
Net book value			
At 30 June 2015 (Unaudited)	93,213	2,507,348	2,600,561
At 31 December 2014 (Audited)	415,903	3,229,169	3,645,072

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

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

The Ijarah Muntahia Bittamleek contracts outstanding at 30 June 2015 have lease terms of up to 19 years.

7 Investment in real estate

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

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

8 Receivables and prepayments

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

9 Share capital

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
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

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

Treasury Shares:

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

10 Earnings per share

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

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

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:

		For the period ended transaction amount		Amounts due from related parties	
Related party relationship	Transaction type	30 June 2015 (Unaudited)	30 June 2014 (Unaudited)	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Shareholders and their immediate family members	Ijarah Muntahia Bittamleek	182,540	301,826	23,080	35,669

12 Interim financial information

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

13 Subsequent events

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