

Reef Real Estate Finance BSC (c)

Reviewed Interim Condensed Financial
Information For The Six Month Period
Ended 30 June 2009

Reef Real Estate Finance BSC (c)

Commercial registration no.	58073 obtained on 10 September 2005
CBB license	FC/001 obtained on 7 November 2007
Chairman	Mr Ali Ahmed Al Baghli
Board of Directors	Mr Saud Kanoo (Vice-Chairman) Mr Faisal Al-Matrook Dr Khalid Abdulla Mr Nasser Abdulhadi Al Gharibah Mr Samer Abbouchi Mr Mohammed Al Dosari
Chief Executive Officer	Mr Mahmood Al Koofi
Executive Committee Members	Mr Faisal Al-Matrook (Chairman) Mr Saud Kanoo Mr Nasser Abdulhadi Al Gharibah
Audit Committee Members	Dr Khalid Abdulla Mr Samer Abbouchi Mr Mohammed Al Dosari Dr Jassim Alajmi (Independent Member)
Shari'a Supervisory Advisor	Dr Fareed Hadi
Registered office	Building 483, Road 1010 Block 410 PO Box 18599 Manama Kingdom of Bahrain
Bankers	Shamil Bank of Bahrain Kuwait Finance House Al Baraka Islamic Bank Calyon Bank Bahrain Islamic Bank Khaleeji Commercial Bank Emirates Islamic Bank
Auditors	BDO Jawad Habib PO Box 787 5 th Floor, UGB Tower Diplomatic Area Kingdom of Bahrain

REVIEW REPORT TO THE SHAREHOLDERS OF REEF REAL ESTATE FINANCE BSC (C)

Introduction

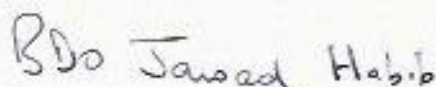
We have reviewed the accompanying statement of financial position of Reef Real Estate Finance BSC (c) (“the Company”) as at 30 June 2009, and the statement of comprehensive income, the statement of changes in shareholders’ equity and statement of cash flows for the six month period then ended, and a summary of significant accounting policies and explanatory notes. The Company’s Board of Directors is responsible for the preparation and presentation of this interim condensed 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 Board of the Company. Our responsibility is to express a conclusion on this interim condensed 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 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 interim condensed financial information does not present fairly, in all material respects, the financial position of the Company as at 30 June 2009, and of its financial performance and its cash flows for the six month period 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 Board of the Company.




Manama, Kingdom of Bahrain
16 August 2009

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Reef Real Estate Finance BSC (c)
Reviewed interim statement of financial position as at 30 June 2009
(Expressed in Bahrain Dinars)

	<u>Notes</u>	<u>30 June 2009</u>	<u>31 December 2008</u>
ASSETS			
Cash and cash equivalents	3	2,514,678	939,031
Investments:			
Investment in an associated undertaking	4	397,750	397,750
Mudaraba investments	5	1,878,112	1,575,400
Musharaka financing	6	419,106	553,009
Ijarah Muntahia Bittamleek	7	31,847,447	35,766,043
Investment properties	8	3,609,724	3,750,980
Trade and other receivables	9	304,436	329,813
Ijarah Muntahia Bittamleek receivables		2,166,302	1,560,091
Property and equipment	10	<u>193,287</u>	<u>241,357</u>
Total assets		<u>43,330,842</u>	<u>45,113,474</u>
LIABILITIES AND EQUITY			
Liabilities			
Islamic financing	11	15,174,140	16,775,989
Other liabilities	12	2,078,620	2,871,533
Charity fund	13	<u>8,500</u>	<u>13,500</u>
		<u>17,261,260</u>	<u>19,661,022</u>
Equity			
Share capital	14	21,400,000	21,400,000
Statutory reserve		615,209	615,209
Investment property fair value reserve		1,390,324	1,444,730
Retained earnings		<u>2,664,049</u>	<u>1,992,513</u>
		<u>26,069,582</u>	<u>25,452,452</u>
Total liabilities and equity		<u>43,330,842</u>	<u>45,113,474</u>

The interim condensed financial information were approved by the Board of Directors on 16 August 2009 and signed on their behalf by:



Ali Ahmed Al Baghli
Chairman




Mahmood Al Koofi
Chief Executive Officer

The notes on pages 6 to 13 form an integral part of the interim condensed financial information.

Reef Real Estate Finance BSC (c)
Reviewed interim statement of income for the six month
period ended 30 June 2009
(Expressed in Bahrain Dinars)

	Notes	Six month period ended 30 June 2009	Six month period ended 30 June 2008	Three month period ended 30 June 2009	Three month period ended 30 June 2008
Income					
Profit from Mudaraba investments		8,597	100,450	4,803	26,349
Profit from Ijarah Muntahia					
Bittamleek		2,378,599	2,015,319	1,205,464	1,066,397
Profit from Musharaka financing		21,906	73,990	10,203	30,226
Fees income from Ijarah					
Muntahia Bittamleek		18,651	298,299	15,649	204,926
Realised gains on sale of investment property fund		-	644,500	-	644,500
Realised gains on sale of investment properties		81,451	-	81,451	-
Other income		1,869	6,400	1,869	-
		<u>2,511,073</u>	<u>3,138,958</u>	<u>1,319,439</u>	<u>1,972,398</u>
Expenses					
Staff costs		(261,016)	(336,418)	(123,528)	(178,533)
General and administrative expenses		(201,940)	(218,807)	(99,015)	(143,860)
Depreciation of Ijarah Muntahia	7				
Bittamleek		(714,187)	(547,563)	(367,694)	(290,421)
Depreciation of property and Equipment		(47,793)	(46,109)	(23,857)	(22,900)
Impairment provisions for Ijarah Muntahia Bittamleek		(3,650)	(80,134)	-	(56,298)
Finance costs	15	(587,508)	(606,155)	(300,113)	(251,637)
Directors' attendance fees		(1,943)	-	(1,050)	(2,541)
		<u>(1,818,037)</u>	<u>(1,835,186)</u>	<u>(915,257)</u>	<u>(946,190)</u>
Net profit for the period		<u>693,036</u>	<u>1,303,772</u>	<u>404,182</u>	<u>1,026,208</u>
Basic and diluted earnings per share	16	<u>3.2 fils</u>	<u>6.1 fils</u>		

The interim condensed financial information were approved by the Board of Directors on 16 August 2009 and signed on their behalf by:


 Ali Ahmed Al Baghli
 Chairman


 Mahmood Al Koofi
 Chief Executive Officer

The notes on pages 6 to 13 form an integral part of the interim condensed financial information.

Reef Real Estate Finance BSC (c)
Reviewed interim statement of changes in equity
for the six month period ended 30 June 2009
(Expressed in Bahrain Dinars)

	<u>Notes</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Investment property fair value reserve</u>	<u>Retained earnings</u>	<u>Total</u>
At 1 January 2008		20,000,000	428,598	1,444,730	1,773,014	23,646,342
Bonus shares issued		1,400,000	-	-	(1,400,000)	-
Charity (Zakah)	17	-	-	-	(20,000)	(20,000)
Directors' remuneration	17	-	-	-	(40,000)	(40,000)
Net profit for the period		-	-	-	<u>1,303,772</u>	<u>1,303,772</u>
At 30 June 2008		<u>21,400,000</u>	<u>428,598</u>	<u>1,444,730</u>	<u>1,616,786</u>	<u>24,890,114</u>
At 1 January 2009		21,400,000	615,209	1,444,730	1,992,513	25,452,452
Charity (Zakah)	17	-	-	-	(6,500)	(6,500)
Directors' remuneration	17	-	-	-	(15,000)	(15,000)
Realised gain on sale of investment property		-	-	(54,406)	-	(54,406)
Net profit for the period		-	-	-	<u>693,036</u>	<u>693,036</u>
At 30 June 2009		<u>21,400,000</u>	<u>615,209</u>	<u>1,390,324</u>	<u>2,664,049</u>	<u>26,069,582</u>

The notes on pages 6 to 13 form an integral part of the interim condensed financial information.

Reef Real Estate Finance BSC (c)
Reviewed statement of cash flows for the six month period ended 30 June 2009
(Expressed in Bahrain Dinars)

	Notes	Six month period ended 30 June <u>2009</u>	Six month period ended 30 June <u>2008</u>
Operating activities			
Net income for the period		693,036	1,303,772
Adjustments for:			
Depreciation on property and equipment	10	47,793	46,109
Depreciation on Ijarah Muntahia bittamleek	7	714,187	547,563
Realised gains on sale of investment property fund		-	(644,500)
Realised gains on sale of investment properties		(81,451)	-
Impairment provision for ijarah muntahia bittamleek		3,650	-
Reversal of impairment provision for ijarah muntahia bittamleek		(1,869)	-
Finance costs	15	587,508	606,155
Changes in operating assets and liabilities:			
Ijarah Muntahia Bittamleek receivables		(606,211)	(484,508)
Trade and other receivables		25,377	155,976
Other liabilities		<u>(792,913)</u>	<u>(1,454,472)</u>
Net cash provided by operating activities		<u>589,107</u>	<u>76,095</u>
Investing activities			
Purchase of property and equipment	10	-	(12,312)
Proceeds from sale of property and equipment		277	-
Proceeds from sale of investment property fund		-	2,644,500
Proceeds from sale of investment properties		168,302	-
Net movement in Ijarah Muntahia Bittamleek		3,202,627	(6,691,070)
Net movement in Musharaka financing		133,903	2,205,307
Additional investment in associated undertaking		<u>-</u>	<u>(225,000)</u>
Net cash provided by/(used in) investing activities		<u>3,505,109</u>	<u>(2,078,575)</u>
Financing activities			
Islamic financing received, net		(1,601,849)	2,263,895
Charity paid	13	(11,500)	(73,260)
Directors' remuneration paid	17	(15,000)	(40,000)
Finance costs	15	<u>(587,508)</u>	<u>(606,155)</u>
Net cash (used in)/provided by financing activities		<u>(2,215,857)</u>	<u>1,544,480</u>
Net increase/(decrease) in cash and cash equivalents		1,878,359	(458,000)
Cash and cash equivalents, beginning of the period		<u>2,514,431</u>	<u>3,279,396</u>
Cash and cash equivalents, end of the period		<u>4,392,790</u>	<u>2,821,396</u>
Comprising:			
Cash and cash equivalents	3	2,514,678	1,245,996
Mudaraba investments	5	<u>1,878,112</u>	<u>1,575,400</u>
		<u>4,392,790</u>	<u>2,821,396</u>

The notes on pages 6 to 13 form an integral part of the interim condensed financial information.

Reef Real Estate Finance BSC (c)
Notes to the interim condensed financial information
for the six month period ended 30 June 2009

1 Organisation and principal activities

Reef Real Estate Finance Co. BSC (c) (“the Company”) is a closed Bahraini shareholding company and operates as an Islamic financing company under license number 58073 granted by the Ministry of Industry and Commerce and Central Bank of Bahrain (CBB) license number FC/001 obtained on 7 November 2007. 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; and
- Providing property development data and studies.

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 interim condensed financial information has been prepared in accordance with the Financial Accounting Standards (“FAS”) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) as the Company has been licensed by the Central Bank of Bahrain as an Islamic financing company. 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).

The interim condensed financial information has been prepared under the historical cost convention, modified by the valuation of investment properties which are measured at their fair values.

Reef Real Estate Finance BSC (c)
Notes to the interim condensed financial information
for the six month period ended 30 June 2009

3 Cash and cash equivalents

	30 June 2009 BD	31 December 2008 BD
Cash on hand	500	930
Current account balances with banks	<u>2,514,178</u>	<u>938,101</u>
	<u>2,514,678</u>	<u>939,031</u>

The current account balances with banks are non-interest bearing.

4 Investment in an associated undertaking

	30 June 2009 BD	31 December 2008 BD
At 1 January	397,750	270,000
Additions during the year	-	225,000
Share of net loss for the year	<u>-</u>	<u>(97,250)</u>
	<u>397,750</u>	<u>397,750</u>

The Company, in accordance with a Memorandum of Understanding dated 10 July 2006, agreed to participate in First Reef Company WLL upto 45% of the equity share capital. The proposed equity share capital of First Reef Company WLL is BD2,500,000. As at 30 June 2009, the Company has advanced BD495,000 to First Reef Company WLL with the balance of BD630,000 reflected as a capital commitment at the balance sheet date (Note 19).

The Company's share of loss in the associated undertaking has been ascertained based on management accounts prepared as at, and for the period ended, 30 June 2009.

5 Mudaraba investments

	30 June 2009 BD	31 December 2008 BD
Calyon Bank	1,502,712	1,500,000
Shamil Bank of Bahrain	300,000	-
Khaleeji Commercial Bank	<u>75,400</u>	<u>75,400</u>
	<u>1,878,112</u>	<u>1,575,400</u>

Mudaraba investments represent amounts placed with financial institutions which have a maturity of less than 90 days. Profit from Mudaraba investments are recognised over the period of the related investment.

Reef Real Estate Finance BSC (c)
Notes to the interim condensed financial information
for the six month period ended 30 June 2009

6 Musharaka financing

	30 June 2009 BD	31 December 2008 BD
At 1 January	558,080	3,468,865
Additions during the period	-	38,207
Repayments during the period	<u>(133,903)</u>	<u>(2,948,992)</u>
	424,177	558,080
Provision for impairment	<u>(5,071)</u>	<u>(5,071)</u>
At 30 June	<u>419,106</u>	<u>553,009</u>
Comprising:		
Retail	403,676	412,880
Commercial	<u>15,430</u>	<u>140,129</u>
	<u>419,106</u>	<u>553,009</u>

7 Ijarah Muntahia Bittamleek

	Land BD	Buildings BD	Total BD
<u>Cost</u>			
At 1 January 2009	13,893,986	23,536,823	37,430,809
Repayments	<u>(1,407,957)</u>	<u>(1,906,490)</u>	<u>(3,314,447)</u>
At 30 June 2009	<u>12,486,029</u>	<u>21,630,333</u>	<u>34,116,362</u>
<u>Depreciation</u>			
At 1 January 2009	-	(1,664,766)	(1,664,766)
Net impairment provision for the period	-	(1,781)	(1,781)
Provided during the period	-	(714,187)	(714,187)
Repayments during the period	<u>-</u>	<u>111,819</u>	<u>111,819</u>
At 30 June 2009	<u>-</u>	<u>(2,268,915)</u>	<u>(2,268,915)</u>
<u>Net book amount</u>			
At 30 June 2009	<u>12,486,029</u>	<u>19,361,418</u>	<u>31,847,447</u>
At 31 December 2008	<u>13,893,986</u>	<u>21,872,057</u>	<u>35,766,043</u>

Reef Real Estate Finance BSC (c)
Notes to the interim condensed financial information
for the six month period ended 30 June 2009

8 Investment properties

	30 June 2009 BD	31 December 2008 BD
At 1 January	3,750,980	3,750,980
Disposals during the period/year	<u>(141,256)</u>	<u>-</u>
Closing balance	<u>3,609,724</u>	<u>3,750,980</u>

In December 2008, the Company obtained a valuation of its investment properties from an independent real estate valuer, which reflected the total value of the properties at BD4,013,800, resulting in an unrealised fair value gain amounting to BD262,820 (2007: BD1,089,566). However, on a conservative basis, the management of the Company has taken a decision not to include the current years unrealised fair value gain in the statement of income. During the six month period ended 30 June 2009, the Company has not made any fair valuation of its investment properties. However in the opinion of the Company management, the fair value of investment properties is not significantly different from their carrying value. All unrealised gains of the previous years which were initially credited to the statement of income have been transferred from the retained earnings to the investment property fair value reserve in equity to comply with the requirements of the AAOIFI.

9 Trade and other receivables

	30 June 2009 BD	31 December 2008 BD
Trade receivables	247,768	198,751
Profit receivable on Mudaraba investments	1,679	2,210
Prepayments and other receivables	<u>54,989</u>	<u>128,852</u>
	<u>304,436</u>	<u>329,813</u>

10 Property and equipment

There was no addition to property and equipment during the six month period ended 30 June 2009 (30 June 2009: BD12,311). Disposals of property and equipment during the six month period ended 30 June 2009 amounted to BD950 (30 June 2008: BDNil). During the six month period ended 30 June 2009 depreciation charges on property and equipment amounted to BD47,793 (30 June 2008: BD46,109).

Reef Real Estate Finance BSC (c)
Notes to the interim condensed financial information
for the six month period ended 30 June 2009

11 Islamic financing

	30 June 2009 BD	31 December 2008 BD
Emirates Islamic Bank	2,264,816	3,750,000
Kuwait Finance House	2,512,500	2,510,151
Al Baraka Islamic Bank	1,155,422	1,151,183
Shamil Bank of Bahrain	2,118,028	2,047,639
Calyon Bank	5,114,688	5,317,016
Bahrain Islamic Bank	<u>2,008,686</u>	<u>2,000,000</u>
	<u>15,174,140</u>	<u>16,775,989</u>

12 Other liabilities

	30 June 2009 BD	31 December 2008 BD
Tala Island payable	96,002	111,244
Musharaka financing and Ijarah Muntahia		
Bittamleek Payables	1,327,942	1,985,978
Accrued expenses	141,710	177,429
Other payables	<u>512,966</u>	<u>596,882</u>
	<u>2,078,620</u>	<u>2,871,533</u>

13 Charity fund

The share capital received from the shareholders prior to the date of commencement of operations of the Company was invested in money market funds in banks and earned a profit of BD115,260. The management of the Company has therefore not treated this profit as an income but has transferred it to a charity fund which has been earmarked solely for charitable purposes in accordance with the requirements of the Sharia'a regulations. Further in the Annual General Meeting held on 25 June 2009 the shareholders approved the transfer of BD6,500 to the charity fund. The Company has utilised BD11,500 (2008: BD73,260) during the six months period ended 30 June 2009 for charitable purposes as required by the Sharia'a regulations resulting in a cumulative expenditure of BD128,260. The charity fund balance at 30 June 2009 amounts to BD8,500 (2008: BD13,500).

Reef Real Estate Finance BSC (c)
Notes to the interim condensed financial information
for the six month period ended 30 June 2009

14 Share capital

	30 June 2009 BD	31 December 2008 BD
Authorised		
400,000,000 shares of BD0.100 each (2008: 400,000,000 shares of BD0.100 each)	<u>40,000,000</u>	<u>40,000,000</u>
Issued and fully paid-up		
214,000,000 shares of BD0.100 each (2008: 214,000,000 shares of BD0.100 each)	<u>21,400,000</u>	<u>21,400,000</u>

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

Additional information on shareholding pattern

The names and nationalities of the major shareholders, holding shareholding interest of 5% or more and the number of shares at 30 June 2009 and 31 December 2008 are as follows:

	Nationality	Number of shares	Percentage of share holding interest
National International Holding KSC (c)	Kuwaiti	42,800,000	20%
Global Investment House KSC (c)	Kuwaiti	36,380,000	17%
Inovent BSC	Bahraini	21,400,000	10%
Ossis Property Developers BSC (c)	Bahraini	21,400,000	10%
Safi Financial Services	Kuwaiti	21,400,000	10%
Sh. Sultan Bin Khalifa Al Nahyan	Emirati	11,770,000	5.5%

15 Finance costs

	Six month period ended 30 June 2009 BD	Six month period ended 30 June 2008 BD	Three month period ended 30 June 2009 BD	Three month period ended 30 June 2008 BD
Wakalah financing costs	138,797	114,807	57,226	48,084
Murabaha financing costs	<u>448,711</u>	<u>491,348</u>	<u>242,887</u>	<u>203,553</u>
	<u>587,508</u>	<u>606,155</u>	<u>300,113</u>	<u>251,637</u>

Reef Real Estate Finance BSC (c)
Notes to the interim condensed financial information
for the six month period ended 30 June 2009

16 Earnings per share

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

	Six month period ended 30 June 2009	Six month period ended 30 June 2008
Net profit attributable to shareholders	<u>BD693,036</u>	<u>BD1,303,772</u>
Weighted average number of ordinary shares	<u>214,000,000</u>	<u>214,000,000</u>
Basic and diluted earnings per share	<u>3.2 fils</u>	<u>6.1 fils</u>

17 Dividends and appropriations

The Board of Directors have approved in the Annual General Meeting held on 25 June 2009, an appropriation of BD6,500 (2008: BD20,000) for Zakah and directors' remuneration amounting to BD15,000 (2008: BD40,000).

18 Related party transactions and balances

Related parties consist of the Shareholders and Directors and their close family members, and businesses under their control. The Company's transactions with related parties are authorised by the management.

(i) A summary of the significant transactions with related parties is as follows:

	Period ended 30 June 2009 BD	Period ended 30 June 2008 BD
Ijarah Muntahia Bittamleek	<u>54,753</u>	<u>40,209</u>

(ii) A summary of the amounts due from related parties at 30 June 2009 and 31 December 2008 is as follows:

	30 June 2009 BD	31 December 2008 BD
<u>Amounts due from related parties</u>		
Ijarah Muntahia Bittamleek	<u>1,150,000</u>	<u>884,909</u>

Reef Real Estate Finance BSC (c)
Notes to the interim condensed financial information
for the six month period ended 30 June 2009

19 Capital commitments

Capital commitments contracted for at the balance sheet date are as follows:

	30 June 2009 BD	31 December 2008 BD
Investment in First Reef Company WLL	630,000	630,000
Others	<u>20,700</u>	<u>34,900</u>
	<u>650,700</u>	<u>664,900</u>

20 Interim operations

The interim net profit for the six month period ended 30 June 2009 may not represent a proportionate share of the annual net income due to the variability in the receipt of income.