

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

Condensed interim financial information
for the quarter and the six months ended
30 June 2011
(Unaudited)

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Reef Real Estate Finance Co. B.S.C. (c)
Administration and contact details as at 30 June 2011

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 Dr Khalid Abdulla Mr Nasser Abdulhadi Al Gharibah Mr Samer Abbouchi Mr Mohammed Al Dosari	(Chairman) (Vice-Chairman)
Chief Executive Officer	Mr Mahmood Al Koofi	
Executive Committee	Mr Faisal Al Matrook Mr Saud Kanoo Mr Nasser Abdulhadi Al Gharibah	(Chairman)
Audit Committee	Dr Khalid Abdulla Mr Samer Abbouchi Mr Mohammed Al Dosari	(Chairman)
Sharia'a Supervisory Advisor	Shaikh Osama Bahar	
Registered office	Building 483, Road 1010 Block 410 PO Box 18599 Manama Kingdom of Bahrain	
Bankers	Ithmaar Bank Kuwait Finance House Al Baraka Islamic Bank Future Bank Khaleeji Commercial Bank	
Auditors	BDO 10th & 11th Floors, GBCORP Tower Bahrain Financial Harbour 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 condensed interim statement of financial position of Reef Real Estate Finance B.S.C. (c) ("the Company") as at 30 June 2011, the condensed interim statement of income, the condensed interim statement of comprehensive income, the condensed interim statement of changes in equity, the 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 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 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 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 condensed interim financial information does not present fairly, in all material respects, the financial position of the Company as at 30 June 2011, 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
July 2011

Reef Real Estate Finance Co. B.S.C. (c)
Condensed interim statement of financial position as at 30 June 2011
(unaudited)
(Expressed in Bahraini Dinars)

	<u>Notes</u>	<u>30 June 2011</u>	<u>31 December 2010</u>
ASSETS			
Cash and bank balances		1,058,648	1,234,909
Investments:			
Investment in an associate	3	512,820	513,090
Mudaraba investments	4	7,162,280	5,106,387
Musharaka financing		213,723	231,097
Ijarah Muntahia Bittamleek	5	21,267,938	25,271,419
Investment properties	6	2,800,976	3,076,170
Receivables and prepayments	7	1,161,622	740,448
Property and equipment		<u>54,507</u>	<u>82,774</u>
Total assets		<u>34,232,514</u>	<u>36,256,294</u>
LIABILITIES AND EQUITY			
Liabilities			
Islamic financing	8	5,407,971	7,449,564
Other liabilities		<u>920,683</u>	<u>994,761</u>
		<u>6,328,654</u>	<u>8,444,325</u>
Equity			
Share capital	9	24,042,900	24,042,900
Statutory reserve		823,304	823,304
Investment property fair value reserve		1,078,825	1,184,819
Charity reserve		14,983	9,710
Retained earnings		<u>1,943,848</u>	<u>1,751,236</u>
		<u>27,903,860</u>	<u>27,811,969</u>
Total liabilities and equity		<u>34,232,514</u>	<u>36,256,294</u>

The unaudited condensed interim financial information, set out on pages 4 to 14, were approved for issue by the Board of Directors on July 2011 and signed on their behalf by:

Ali Ahmed Al Baghli
Chairman

Mahmood Al Koofi
Chief Executive Officer

Reef Real Estate Finance Co. B.S.C. (c)
Condensed interim statement of income for the quarter and the six months ended
30 June 2011
(unaudited)
(Expressed in Bahraini Dinars)

	Notes	Six months ended 30 June 2011	Six months ended 30 June 2010	Quarter ended 30 June 2011	Quarter ended 30 June 2010
Income					
Gross Ijarah revenue		2,099,772	2,288,913	992,276	1,125,200
Less: Depreciation on Ijarah Muntahia Bittamleek	5	<u>1,241,137</u>	<u>965,091</u>	<u>621,978</u>	<u>490,716</u>
		858,635	1,323,822	370,298	634,484
Profit from Musharaka financing		10,387	16,129	5,195	8,089
Profit from Mudaraba investments		119,209	49,526	64,355	34,725
Fees income from Ijarah Muntahia Bittamleek		36,381	36,553	23,805	20,019
Realised gains on sale of investment properties		106,855	26,240	52,464	26,240
Rental Income from Investment properties		<u>3,200</u>	<u>-</u>	<u>3,200</u>	<u>-</u>
		<u>1,134,667</u>	<u>1,452,270</u>	<u>519,317</u>	<u>723,557</u>
Expenses					
Staff costs		225,467	230,224	107,823	114,326
Finance costs	10	294,674	433,806	128,744	196,519
General and administrative expenses		212,319	210,810	130,755	115,862
Depreciation of property and equipment		28,267	41,863	13,993	19,190
Allowances and provisions		177,758	154,806	59,827	75,706
Share of loss from investment in an associated		<u>270</u>	<u>-</u>	<u>270</u>	<u>-</u>
		<u>938,755</u>	<u>1,071,509</u>	<u>441,412</u>	<u>521,603</u>
Net profit for the period before charity reserve contribution		195,912	380,761	77,905	201,954
Contribution to charity reserve		<u>3,300</u>	<u>-</u>	<u>3,300</u>	<u>-</u>
Net profit for the period		<u>192,612</u>	<u>380,761</u>	<u>74,605</u>	<u>201,954</u>
Basic and diluted earnings per share	11	<u>0.08fils</u>	<u>0.16fils</u>	<u>0.03fils</u>	<u>0.08fils</u>

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

Condensed interim statement of comprehensive income for the quarter and the six months ended 30 June 2011

(unaudited)

(Expressed in Bahraini Dinars)

	Six months ended <u>30 June 2011</u>	Six months ended <u>30 June 2010</u>	Quarter ended <u>30 June 2011</u>	Quarter ended <u>30 June 2010</u>
Net profit for the period	<u>192,612</u>	<u>380,761</u>	74,605	201,954
Net movement in the fair value reserve on the sale of investment properties	<u>(105,994)</u>	<u>-</u>	<u>(50,178)</u>	<u>-</u>
Total comprehensive income for the period	<u><u>86,618</u></u>	<u><u>380,761</u></u>	<u><u>24,427</u></u>	<u><u>201,954</u></u>

Reef Real Estate Finance Co. B.S.C. (c)
 Condensed interim statement of changes in equity for the six months ended 30 June 2011
 (unaudited)
 (Expressed in Bahraini Dinars)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Investment property fair value reserve</u>	<u>Charity reserve</u>	<u>Retained earnings</u>	<u>Total</u>
At 31 December 2009	22,898,000	747,337	1,347,193	6,500	2,212,438	27,211,468
Bonus shares issued	1,144,900	-	-	-	(1,144,900)	-
Charity reserve movement	-	-	-	3,210	-	3,210
Total comprehensive income	-	-	(162,374)	-	759,665	597,291
Transferred to statutory reserve	<u>-</u>	<u>75,967</u>	<u>-</u>	<u>-</u>	<u>(75,967)</u>	<u>-</u>
At 31 December 2010	24,042,900	823,304	1,184,819	9,710	1,751,236	27,811,969
Charity reserve movement	-	-	-	5,273	-	5,273
Total comprehensive income	<u>-</u>	<u>-</u>	<u>(105,994)</u>	<u>-</u>	<u>192,612</u>	<u>86,618</u>
At 30 June 2011	<u>24,042,900</u>	<u>823,304</u>	<u>1,078,825</u>	<u>14,983</u>	<u>1,943,848</u>	<u>27,903,860</u>

Reef Real Estate Finance Co. B.S.C. (c)
Condensed interim statement of cash flows for the six months ended 30 June 2011
(unaudited)
(Expressed in Bahraini Dinars)

	Notes	Six months ended 30 June 2011	Six months ended 30 June 2010
Operating activities			
Net profit for the period		192,612	380,761
Adjustments for:			
Depreciation on property and equipment		28,267	41,863
Depreciation on Ijarah Muntahia Bittamleek	5	1,241,137	965,091
Realised gains on sale of investment properties		(106,855)	(56,098)
Finance costs	10	294,674	433,806
Share of loss from investment in an associates		270	-
Changes in operating assets and liabilities:			
Receivables and prepayments		(421,174)	(98,044)
Other liabilities		<u>(74,078)</u>	<u>(355,660)</u>
Net cash provided by operating activities		<u>1,154,853</u>	<u>1,311,719</u>
Investing activities			
Investment in an associate		-	(116,004)
Net movement in Musharaka financing		17,374	15,869
Net movement in Ijarah Muntahia Bittamleek		2,762,344	2,317,059
Purchase of property and equipment		-	(6,583)
Proceeds from sale of investment properties		<u>276,055</u>	<u>145,648</u>
Net cash provided by investing activities		<u>3,055,773</u>	<u>2,355,989</u>
Financing activities			
Islamic financing repaid, net		(2,041,593)	(287,322)
Charity reserve movement		5,273	-
Finance costs paid	10	<u>(294,674)</u>	<u>(433,806)</u>
Net cash used in financing activities		<u>(2,330,994)</u>	<u>(721,128)</u>
Net increase in cash and cash equivalents		1,879,632	2,946,580
Cash and cash equivalents, beginning of the period		<u>6,341,296</u>	<u>2,895,666</u>
Cash and cash equivalents, end of the period		<u><u>8,220,928</u></u>	<u><u>5,842,246</u></u>
Comprising:			
Cash and bank balances		1,058,648	768,882
Mudaraba investments		<u>7,162,280</u>	<u>5,073,364</u>
		<u><u>8,220,928</u></u>	<u><u>5,842,246</u></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 3 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; 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 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") as the Company has been licensed by the CBB 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 condensed interim financial information has been presented in accordance with International Accounting Standard 34 - "Interim Financial Reporting". 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 2010, which have been prepared in accordance with International Financial Reporting Standards.

These financial statements have 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 Co. B.S.C. (c)

Selected explanatory notes to the condensed interim financial information for the quarter and the six months ended 30 June 2011

(unaudited)

(Expressed in Bahraini Dinars)

3 Investment in an associate

	30 June 2011	31 December 2010
Investment		
Opening balance	14,586	14,609
Share in reserves	(270)	-
Share of net loss for the period/year	<u>-</u>	<u>(23)</u>
Closing balance	<u>14,316</u>	<u>14,586</u>
Advance to an associate		
Opening balance	498,504	382,500
Paid during the period/year	<u>-</u>	<u>116,004</u>
Closing balance	<u>498,504</u>	<u>498,504</u>
Total	<u>512,820</u>	<u>513,090</u>

The Company's investment in an associate represents 45% of the issued share capital in First Reef Company B.S.C.(c). The Company's share of loss in the associate has been ascertained based on unaudited management accounts for the period ended 30 June 2011.

The advance to the associates will be used to purchase additional share capital to be issued during 2011. The Company's holding will remain at 45% of the issued share capital after this transaction is completed.

4 Mudaraba investments

	30 June 2011	31 December 2010
Ithmaar Bank	7,091,704	5,033,023
Khaleeji Commercial Bank	<u>70,576</u>	<u>73,364</u>
	<u>7,162,280</u>	<u>5,106,387</u>

Mudaraba investments represent amounts placed with financial institutions. Profit from Mudaraba investments are recognised over the period of the related investment.

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

Selected explanatory notes to the condensed interim financial information for the quarter and the six months ended 30 June 2011

(unaudited)

(Expressed in Bahraini Dinars)

5 Ijarah Muntahia Bittamleek

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost			
At 31 December 2009	11,230,228	23,860,713	35,090,941
Additions during the year	35,200	725,700	760,900
Repayments/ disposals during the year	<u>(2,496,197)</u>	<u>(2,344,079)</u>	<u>(4,840,276)</u>
At 31 December 2010	8,769,231	22,242,334	31,011,565
Additions during the period	126,781	315,000	441,781
Repayments/ disposals during the period	<u>(1,384,506)</u>	<u>(2,271,704)</u>	<u>(3,656,210)</u>
At 30 June 2011	<u>7,511,506</u>	<u>20,285,630</u>	<u>27,797,136</u>
Depreciation			
At 31 December 2009	-	(3,591,910)	(3,591,910)
Charge for the year	-	(2,165,214)	(2,165,214)
Disposal during the year	<u>-</u>	<u>352,059</u>	<u>352,059</u>
At 31 December 2010	-	(5,405,065)	(5,405,065)
Charge for the period	-	(1,241,137)	(1,241,137)
Disposal during the period	<u>-</u>	<u>512,085</u>	<u>512,085</u>
At 30 June 2011	<u>-</u>	<u>(6,134,117)</u>	<u>(6,134,117)</u>
Impairment provision			
At 31 December 2009	-	(233,740)	(233,740)
Increase in provision	<u>-</u>	<u>(101,341)</u>	<u>(101,341)</u>
At 31 December 2010	-	(335,081)	(335,081)
Increase in provision	<u>-</u>	<u>(60,000)</u>	<u>(60,000)</u>
At 30 June 2011	<u>-</u>	<u>(395,081)</u>	<u>(395,081)</u>
Net book value			
At 31 December 2010	<u>8,769,231</u>	<u>16,502,188</u>	<u>25,271,419</u>
At 30 June 2011	<u>7,511,505</u>	<u>13,756,432</u>	<u>21,267,938</u>

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

The Ijarah Muntahia Bittamleek contracts outstanding at 30 June 2011 have lease terms of up to 25 years.

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

Selected explanatory notes to the condensed interim financial information for the quarter and the six months ended 30 June 2011

(unaudited)

(Expressed in Bahraini Dinars)

6 Investment properties

	Investment properties for capital appreciation	Investment properties for periodical consideration	<u>Total</u>
As at 31 December 2009	3,497,743	-	3,497,743
Disposal during the year	<u>(421,573)</u>	<u>-</u>	<u>(421,573)</u>
As at 31 December 2010	3,076,170	-	3,076,170
Transfer from investment properties for capital appreciation to periodical consideration	(781,668)	781,668	-
Disposal during the period	<u>(275,194)</u>	<u>-</u>	<u>(275,194)</u>
As at 30 June 2010	<u>2,019,308</u>	<u>781,668</u>	<u>2,800,976</u>

7 Receivables and prepayments

	30 June 2011	31 December 2010
Ijarah Muntahia Bittamleek rental receivables	557,237	474,624
Allowance for doubtful Ijarah Muntahia Bittamleek rental receivables	<u>(328,756)</u>	<u>(218,733)</u>
Other receivables net of provision	228,481	255,891
Accrued profit on Mudaraba investments	910,940	459,770
	<u>22,201</u>	<u>24,787</u>
	<u>1,161,622</u>	<u>740,448</u>

Other receivable includes an assets of BD100,428 (2010:BD100,428) which is considered as not recoverable and has been fully provided.

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

Selected explanatory notes to the condensed interim financial information for the quarter and the six months ended 30 June 2011

(unaudited)

(Expressed in Bahraini Dinars)

8 Islamic financing

	30 June	31 December
	<u>2011</u>	<u>2010</u>
Future Bank	2,011,277	2,012,083
Kuwait Finance House	-	1,903,677
Al Baraka Islamic Bank	1,694,827	1,896,293
Ithmaar bank	<u>1,701,867</u>	<u>1,637,511</u>
	<u>5,407,971</u>	<u>7,449,564</u>

The financing from Future Bank and Al Baraka Islamic Bank are secured by way of a mortgage against Ijarah Muntahia Bittamleek agreements entered into by the Company. The financing of the Company bears an average profit rate of 7.7% (2010: 7.7%) per annum.

9 Share capital

	30 June	31 December
	<u>2011</u>	<u>2010</u>
Authorised		
400,000,000 (2010: 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 (2010: 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.

10 Finance costs

	Six months ended 30 June 2011	Six months ended 30 June 2010	Quarter ended 30 June 2011	Quarter ended 30 June 2010
Wakalah financing costs	-	22,568	-	4,274
Murabaha financing costs	<u>294,674</u>	<u>411,238</u>	<u>128,744</u>	<u>192,245</u>
	<u>294,674</u>	<u>433,806</u>	<u>128,744</u>	<u>196,519</u>

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

Selected explanatory notes to the condensed interim financial information for the quarter and the six months ended 30 June 2011

(unaudited)

(Expressed in Bahraini Dinars)

11 Earnings per share

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

	Six months ended <u>30 June 2011</u>	Six months ended <u>30 June 2011</u>	Quarter ended <u>30 June 2011</u>	Quarter ended <u>30 June 2011</u>
Net profit attributable to the shareholders	<u>192,612</u>	<u>380,761</u>	<u>74,605</u>	<u>201,954</u>
Number of ordinary shares	<u>240,429,000</u>	<u>240,429,000</u>	<u>240,429,000</u>	<u>240,429,000</u>
Basic and diluted earnings per share	<u>0.08fils</u>	<u>0.16fils</u>	<u>0.03fils</u>	<u>0.08fils</u>

12 Matters proposed by the Boards of Directors

The Board of Directors of the Company has proposed Directors' remuneration of BD35,000 and charity contributions of BD3,300 for the year ended 31 December 2010. The above proposals have been approved by the shareholders in the Annual General Meeting dated 16 June 2011.

13 Related party transactions

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.

A summary of the amounts due from related parties included in Ijarah Muntahia Bittamleek is as follows:

	<u>30 June 2011</u>	<u>31 December 2010</u>
Amounts due from related parties	<u>1,269,469</u>	<u>1,584,735</u>

14 Interim financial information

The interim net profit for the quarter and the six months ended 30 June 2011 may not represent a proportionate share of the annual net income due to the variability in the receipt of income.