

**Reef Real Estate Finance Company
BSC (c)**

Condensed interim financial information
for the quarter and nine months ended
30 September 2009
(Unaudited)

Reef Real Estate Finance Company BSC (c)
Administration and contact details as at 30 September 2009

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 (Chairman) Mr Samer Abbouchi Mr Mohammed Al Dosari Dr Jassim Alajmi (Independent Member) until 29 October 2009
Shari'a Supervisory Advisor	Dr Fareed Hadi until 31 July 2009 Shaikh Osama Bahar from 1 August 2009
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 on the condensed interim financial information
to the Board of Directors of
Reef Real Estate Finance Company BSC (C)**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Reef Real Estate Finance Company BSC (c) (“the Company”) as at 30 September 2009, the condensed interim statement of income, the condensed interim statement of changes in shareholders’ equity, the condensed interim statement of cash flows for the quarter and nine months period 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 September 2009, and of its financial performance and its cash flows for the quarter and nine 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
15 November 2009

96067

Reef Real Estate Finance Company BSC (c)
Condensed interim statement of financial position as at 30 September 2009
(Unaudited)
(Expressed in Bahrain Dinars)

	<u>Notes</u>	<u>30 September</u> <u>2009</u>	<u>31 December</u> <u>2008</u>
ASSETS			
Cash and cash equivalents	3	1,017,877	939,031
Investments:			
Investment in and advance to an associate	4	397,750	397,750
Mudaraba investments	5	75,400	1,575,400
Musharaka financing	6	391,177	553,009
Ijarah Muntahia Bittamleek	7	29,624,986	35,766,043
Investment properties	8	3,497,743	3,750,980
Trade and other receivables	9	2,761,966	1,889,904
Property and equipment	10	<u>169,688</u>	<u>241,357</u>
Total assets		<u>37,936,587</u>	<u>45,113,474</u>
LIABILITIES AND EQUITY			
Liabilities			
Islamic financing	11	9,575,681	16,775,989
Other liabilities	12	<u>1,967,891</u>	<u>2,885,033</u>
		<u>11,543,572</u>	<u>19,661,022</u>
Equity			
Share capital	13	21,400,000	21,400,000
Statutory reserve		615,209	615,209
Investment property fair value reserve		1,347,193	1,444,730
Retained earnings		<u>3,030,613</u>	<u>1,992,513</u>
		<u>26,393,015</u>	<u>25,452,452</u>
Total liabilities and equity		<u>37,936,587</u>	<u>45,113,474</u>

The unaudited condensed interim financial information, set out on pages 2 to 14, were approved for issue by the Board of Directors on 15 November 2009 and signed on their behalf by:



Ali Ahmed Al Baghli
Chairman



Mahmood Al Koofi
Chief Executive Officer

Reef Real Estate Finance Company BSC (c)
Condensed interim statement of income for the quarter and nine months ended
30 September 2009
(Unaudited)
(Expressed in Bahrain Dinars)

	Notes	Quarter ended 30 Sep 2009	Quarter ended 30 Sep 2008	Nine months ended 30 Sep 2009	Nine months ended 30 Sep 2008
Income					
Profit from financing		1,154,060	1,216,529	3,554,565	3,305,838
Profit from Mudaraba investments		1,984	15,026	10,582	115,477
Fees income from Ijarah					
Muntahia Bittamleek		46,883	74,111	65,533	372,410
Realised gains on sale of investment property fund		-	-	-	644,500
Realised gains on sale of investment properties		41,150	-	122,601	-
Other income		-	-	-	6,400
		<u>1,244,077</u>	<u>1,305,666</u>	<u>3,753,281</u>	<u>4,444,625</u>
Expenses					
Staff costs		(128,335)	(214,179)	(389,351)	(550,597)
Finance costs	14	(231,427)	(255,409)	(818,935)	(861,564)
General and administrative expenses		(104,114)	(100,792)	(307,997)	(319,598)
Depreciation of Ijarah Muntahia Bittamleek	7	(351,462)	(333,630)	(1,065,649)	(881,193)
Depreciation of property and equipment		(23,909)	(23,397)	(71,702)	(69,507)
Impairment provisions for financing		(38,266)	(29,646)	(40,047)	(109,780)
		<u>(877,513)</u>	<u>(957,053)</u>	<u>(2,693,681)</u>	<u>(2,792,239)</u>
Net profit for the period		<u>366,564</u>	<u>348,613</u>	<u>1,059,600</u>	<u>1,652,386</u>
Basic and diluted earnings per share	15	<u>1.7 Fils</u>	<u>1.6 Fils</u>	<u>4.9 Fils</u>	<u>7.7 Fils</u>

Reef Real Estate Finance Company BSC (c)
Condensed interim statement of changes in shareholders equity for the nine months
period ended 30 September 2009
(Unaudited)
(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	16	-	-	-	(20,000)	(20,000)
Director's remuneration	16	-	-	-	(40,000)	(40,000)
Net profit for the year		-	-	-	1,866,110	1,866,110
Transferred to statutory Reserve		-	<u>186,611</u>	-	<u>(186,611)</u>	-
At 31 December 2008		21,400,000	615,209	1,444,730	1,992,513	25,452,452
Charity	16	-	-	-	(6,500)	(6,500)
Directors' remuneration	16	-	-	-	(15,000)	(15,000)
Realised gain on sale of investment property		-	-	(97,537)	-	(97,537)
Net profit for the period		-	-	-	<u>1,059,600</u>	<u>1,059,600</u>
At 30 September 2009		<u>21,400,000</u>	<u>615,209</u>	<u>1,347,193</u>	<u>3,030,613</u>	<u>26,393,015</u>

Reef Real Estate Finance Company BSC (c)
Condensed interim statement of cash flows for the nine months period ended 30
September 2009
(Unaudited)
(Expressed in Bahrain Dinars)

	Notes	Nine months ended 30 September 2009	Nine months Ended 30 September 2008
Operating activities			
Net income for the period		1,059,600	1,652,386
Adjustments for:			
Depreciation on property and equipment	10	71,702	69,507
Depreciation on Ijarah Muntahia Bittamleek	7	1,065,649	881,193
Realised gains on sale of investment property fund		-	(644,500)
Realised gains on sale of investment properties		(122,601)	-
Impairment provision for financing		40,047	-
Finance costs	14	818,935	861,564
Changes in operating assets and liabilities:			
Trade and other receivables		(872,062)	(869,895)
Other liabilities		<u>(912,144)</u>	<u>(1,378,269)</u>
Net cash provided by operating activities		<u>1,149,126</u>	<u>571,986</u>
Investing activities			
Purchase of property and equipment	10	(726)	(20,488)
Proceeds from sale of property and equipment		693	-
Proceeds from sale of investment property fund		-	2,644,500
Proceeds from sale of investment properties		278,302	-
Net movement in Ijarah Muntahia Bittamleek		5,035,362	(10,072,480)
Net movement in Musharaka financing		<u>161,832</u>	<u>2,851,157</u>
Net cash provided by/(used in) investing activities		<u>5,475,463</u>	<u>(4,597,311)</u>
Financing activities			
Islamic financing received, net		(7,200,308)	4,350,043
Charity paid	12	(11,500)	(73,260)
Directors' remuneration paid	16	(15,000)	(40,000)
Finance costs	14	<u>(818,935)</u>	<u>(861,564)</u>
Net cash (used in)/provided by financing activities		<u>(8,045,743)</u>	<u>3,375,219</u>
Net (decrease) in cash and cash equivalents		(1,421,154)	(650,106)
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>1,093,277</u>	<u>2,629,290</u>
Comprising:			
Cash and cash equivalents	3	1,017,877	1,053,890
Mudaraba investments	5	<u>75,400</u>	<u>1,575,400</u>
		<u>1,093,277</u>	<u>2,629,290</u>

Reef Real Estate Finance Company BSC (c)
Selected explanatory notes to the condensed interim financial information for the nine
months ended 30 September 2009
(Unaudited)
(Expressed in Bahrain Dinars)

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

Reef Real Estate Finance Company BSC (c)
Selected explanatory notes to the condensed interim financial information for the nine
months ended 30 September 2009
(Unaudited)
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3 Cash and cash equivalents

	30 September <u>2009</u>	31 December <u>2008</u>
Cash on hand	500	930
Current account balances with banks	<u>1,017,377</u>	<u>938,101</u>
	<u>1,017,877</u>	<u>939,031</u>

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

4 Investment in and advance to an associate

	30 September <u>2009</u>	31 December <u>2008</u>
Investment in an associate		
Opening balance	15,250	112,500
Share of net loss for the period/ year	<u>-</u>	<u>(97,250)</u>
Closing balance	15,250	15,250
Advance to an associate	<u>382,500</u>	<u>382,500</u>
	<u>397,750</u>	<u>397,750</u>

The Company's investment in the associate represents 45% of the issued share capital in First Reef Company BSC(c).

The advance is profit free, unsecured and not subject to any repayment terms.

The Company's share of loss in the associate has been ascertained based on management accounts prepared as at, and for the nine months ended, 30 September 2009.

5 Mudaraba investments

	30 September <u>2009</u>	31 December <u>2008</u>
Calyon Bank	-	1,500,000
Khaleeji Commercial Bank	<u>75,400</u>	<u>75,400</u>
	<u>75,400</u>	<u>1,575,400</u>

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

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6 Musharaka financing

	30 September <u>2009</u>	31 December <u>2008</u>
At 1 January	558,080	3,468,865
Additions during the period	-	38,207
Repayments during the period	<u>(161,832)</u>	<u>(2,948,992)</u>
	396,248	558,080
Less: Provision for impairment	<u>5,071</u>	<u>5,071</u>
As at	<u>391,177</u>	<u>553,009</u>
Comprising:		
Retail	391,177	412,880
Commercial	<u>-</u>	<u>140,129</u>
	<u>391,177</u>	<u>553,009</u>

7 Ijarah Muntahia Bittamleek

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
At 31 December 2007	11,952,264	16,773,184	28,725,448
Additions during the year	10,486,793	13,368,881	23,855,674
Repayments during the year	<u>(8,545,071)</u>	<u>(6,605,242)</u>	<u>(15,150,313)</u>
At 31 December 2008	13,893,986	23,536,823	37,430,809
Repayments during the period	<u>(1,952,865)</u>	<u>(3,357,579)</u>	<u>(5,310,444)</u>
At 30 September 2009	<u>11,941,121</u>	<u>20,179,244</u>	<u>32,120,365</u>
<u>Depreciation</u>			
At 31 December 2007	-	(818,276)	(818,276)
Impairment provision for the year	-	(113,152)	(113,152)
charge during the year	-	(1,210,772)	(1,210,772)
Repayments during the year	<u>-</u>	<u>477,434</u>	<u>477,434</u>
At 31 December 2008	-	(1,664,766)	(1,664,766)
Net impairment provision for the period	-	(40,047)	(40,047)
charge during the period	-	(1,065,649)	(1,065,649)
Repayments during the period	<u>-</u>	<u>275,083</u>	<u>275,083</u>
At 30 September 2009	<u>-</u>	<u>(2,495,379)</u>	<u>(2,495,379)</u>
<u>Net book value</u>			
At 30 September 2009	<u>11,941,121</u>	<u>17,683,865</u>	<u>29,624,986</u>
At 31 December 2008	<u>13,893,986</u>	<u>21,872,057</u>	<u>35,766,043</u>

Reef Real Estate Finance Company BSC (c)
Selected explanatory notes to the condensed interim financial information for the nine
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8 Investment properties

	30 September <u>2009</u>	31 December <u>2008</u>
Opening balance	3,750,980	3,750,980
Disposals during the period	<u>(253,237)</u>	<u>-</u>
Closing balance	<u>3,497,743</u>	<u>3,750,980</u>

During the nine months ended 30 September 2009, the Company has not made any fair valuation of its investment properties. However in the opinion of the Company's management, the fair value of investment properties is not significantly different from their carrying value.

9 Trade and other receivables

	30 September <u>2009</u>	31 December <u>2008</u>
Ijarah Muntahia Bittamleek receivables	2,364,170	1,560,091
Trade receivables	262,232	198,451
Amount due from a related party (Note 17)	3,120	300
Prepayments and other receivables	131,952	128,852
Profit receivable on Mudaraba investments	<u>492</u>	<u>2,210</u>
	<u>2,761,966</u>	<u>1,889,904</u>

Reef Real Estate Finance Company BSC (c)
Selected explanatory notes to the condensed interim financial information for the nine
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10 Property and equipment

	<u>Leasehold improvements</u>	<u>Furniture and fixtures</u>	<u>Office equipment</u>	<u>Computer hardware and software</u>	<u>Motor vehicles</u>	<u>Total</u>
<u>Cost</u>						
At 31 December 2007	148,867	43,503	44,373	97,865	36,880	371,488
Additions during the year	<u>3,562</u>	<u>2,961</u>	<u>1,907</u>	<u>27,850</u>	-	<u>36,280</u>
At 31 December 2008	152,429	46,464	46,280	125,715	36,880	407,768
Additions during the period	-	726	-	-	-	726
Disposal during the period	-	-	-	<u>(1,780)</u>	-	<u>(1,780)</u>
At 30 September 2009	<u>152,429</u>	<u>47,190</u>	<u>46,280</u>	<u>123,935</u>	<u>36,880</u>	<u>406,714</u>
<u>Accumulated depreciation</u>						
At 31 December 2007	22,012	7,519	8,106	26,686	8,568	72,891
Charge for the year	<u>30,130</u>	<u>9,037</u>	<u>10,021</u>	<u>32,039</u>	<u>12,293</u>	<u>93,520</u>
At 31 December 2008	52,142	16,556	18,127	58,725	20,861	166,411
Charge for the period	22,865	7,235	7,504	24,878	9,220	71,702
Disposal during the period	-	-	-	<u>(1,087)</u>	-	<u>(1,087)</u>
At 30 September 2009	<u>75,007</u>	<u>23,791</u>	<u>25,631</u>	<u>82,516</u>	<u>30,081</u>	<u>237,026</u>
<u>Net book value</u>						
At 31 December 2008	<u>100,287</u>	<u>29,908</u>	<u>28,153</u>	<u>66,990</u>	<u>16,019</u>	<u>241,357</u>
At 30 September 2009	<u>77,422</u>	<u>23,399</u>	<u>20,649</u>	<u>41,419</u>	<u>6,799</u>	<u>169,688</u>

11 Islamic financing

	<u>30 September 2009</u>	<u>31 December 2008</u>
Kuwait Finance House	2,011,250	2,510,151
Bahrain Islamic Bank	2,030,778	2,000,000
Shamil Bank of Bahrain	1,811,000	2,047,639
Emirates Islamic Bank	1,699,493	3,750,000
Calyon Bank	1,355,215	5,317,016
Al Baraka Islamic Bank	<u>667,945</u>	<u>1,151,183</u>
	<u>9,575,681</u>	<u>16,775,989</u>

Reef Real Estate Finance Company BSC (c)
Selected explanatory notes to the condensed interim financial information for the nine months ended 30 September 2009
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12 Other liabilities

	30 September <u>2009</u>	31 December <u>2008</u>
Musharaka financing and Ijarah Muntahia		
Bittamleek payables	1,222,923	1,985,978
Accrued expenses	149,005	177,429
Charity fund	8,500	13,500
Other payables	490,384	596,882
Tala Island payable	<u>97,079</u>	<u>111,244</u>
	<u>1,967,891</u>	<u>2,885,033</u>

At 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 nine months ended 30 September 2009 for charitable purposes as required by the Sharia'a regulations.

13 Share capital

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

Reef Real Estate Finance Company BSC (c)
Selected explanatory notes to the condensed interim financial information for the nine months ended 30 September 2009
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13 Share capital (continued)

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 September 2009 and 31 December 2008 are as follows:

Major shareholders	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%

During the period, the Annual General Meeting of the shareholders held on 25 June 2009 approved to issue BD1,498,000 as bonus shares to the shareholders. The legal formalities for amendment of the Company's Memorandum of Association is yet to be completed.

14 Finance costs

	Quarter ended 30 September <u>2009</u>	Quarter ended 30 September <u>2008</u>	Nine months ended 30 September <u>2009</u>	Nine months ended 30 September <u>2008</u>
Murabaha financing costs	188,947	213,420	637,658	704,768
Wakalah financing costs	<u>42,480</u>	<u>41,989</u>	<u>181,277</u>	<u>156,796</u>
	<u>231,427</u>	<u>255,409</u>	<u>818,935</u>	<u>861,564</u>

Reef Real Estate Finance Company BSC (c)
Selected explanatory notes to the condensed interim financial information for the nine months ended 30 September 2009
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15 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 in issue during the period.

	Quarter ended 30 September <u>2009</u>	Quarter ended 30 September <u>2008</u>	Nine months ended 30 September <u>2009</u>	Nine months ended 30 September <u>2008</u>
Net profit attributable to shareholders	<u>BD366,564</u>	<u>BD348,613</u>	<u>BD1,059,600</u>	<u>BD1,652,386</u>
Weighted average number of ordinary shares in issue	<u>214,000,000</u>	<u>214,000,000</u>	<u>214,000,000</u>	<u>214,000,000</u>
Basic and diluted earnings per share	<u>1.7 Fils</u>	<u>1.6 Fils</u>	<u>4.9 Fils</u>	<u>7.7 Fils</u>

16 Director's remuneration and appropriations

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

17 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.

A summary of the significant transactions with related parties are as follows:

	Quarter ended 30 September <u>2009</u>	Quarter ended 30 September <u>2008</u>	Nine months ended 30 September <u>2009</u>	Nine months ended 30 September <u>2008</u>
Ijarah Muntahia Bittamleek	<u>Nil</u>	<u>3,128</u>	<u>54,753</u>	<u>73,816</u>

Reef Real Estate Finance Company BSC (c)
Selected explanatory notes to the condensed interim financial information for the nine
months ended 30 September 2009
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17 Related party transactions and balances (continued)

A summary of the amounts due from related parties are as follows:

	30 September <u>2009</u>	31 December <u>2008</u>
<u>Amounts due from related parties</u>		
Ijarah Muntahia Bittamleek (Note 9) The facility represents the interest of a number of individual related investors	<u>1,164,084</u>	<u>1,442,725</u>
First Reef Company BSC (c) (Note 9)	<u>3,120</u>	<u>300</u>

18 Interim operations

The interim net profit for the nine months ended 30 September 2009 may not represent a proportionate share of the annual net income due to the variability in the receipt of income.

19 Comparative

Certain comparative balances have been reclassified, wherever necessary, to conform the presentation adopted in the current period.