

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

Condensed interim financial information
for the quarter and the nine months ended
30 September 2011 (unaudited)

Reef Real Estate Finance Co. B.S.C. (c)
Financial information for the quarter and the nine months ended 30 September 2011

Index	Page
1. Administration and contact details	2
2. Review report by the independent auditor	3
3. Condensed interim statement of financial position	4
4. Condensed interim statement of income	5
5. Condensed interim statement of comprehensive income	6
6. Condensed interim statement of changes in equity	7
7. Condensed interim statement of cash flows	8
8. Selected explanatory notes to the condensed interim financial information	9 - 14

Reef Real Estate Finance Co. B.S.C. (c)
Administration and contact details as at 30 September 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 Dr. 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 Public accountants 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 September 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 nine 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 September 2011, and of its financial performance and its cash flows for the quarter and the 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
30 October 2011

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

	Notes	30 September 2011	31 December 2010
ASSETS			
Cash and bank balances		1,310,179	1,234,909
Investments:			
Investment in an associate	3	512,820	513,090
Mudaraba investments	4	7,236,383	5,106,387
Musharaka financing		207,162	231,097
Ijarah Muntahia Bittamleek	5	19,666,377	25,271,419
Investment properties	6	2,834,497	3,076,170
Receivables and prepayments	7	612,935	740,448
Property and equipment		40,799	82,774
Total assets		32,421,152	36,256,294
LIABILITIES AND EQUITY			
Liabilities			
Islamic financing	8	3,495,712	7,449,564
Other liabilities		862,395	994,761
		<u>4,358,107</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		7,478	9,710
Retained earnings		2,110,538	1,751,236
		<u>28,063,045</u>	<u>27,811,969</u>
Total liabilities and equity		32,421,152	36,256,294

The unaudited condensed interim financial information, set out on pages 4 to 14, were approved for issue by the Board of Directors on 30 October 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 nine months ended 30 September 2011

(unaudited)

(Expressed in Bahraini Dinars)

	Notes	Nine months ended 30 September 2011	Nine months ended 30 September 2010	Quarter ended 30 September 2011	Quarter ended 30 September 2010
Income					
Gross Ijarah revenue		3,109,021	3,446,066	1,009,249	1,157,153
Less: Depreciation on Ijarah Muntahia Bittamleek	5	<u>1,800,055</u>	<u>1,451,083</u>	<u>558,918</u>	<u>485,992</u>
		1,308,966	1,994,983	450,331	671,161
Profit from Musharaka financing		15,217	33,091	4,830	16,962
Profit from Mudaraba investments		194,165	101,210	74,956	51,684
Fee income from Ijarah Muntahia Bittamleek		60,681	53,505	24,300	16,952
Realised gains on sale of investment properties		112,505	26,240	-	-
Rental income from investment Properties		<u>25,870</u>	<u>-</u>	<u>22,670</u>	<u>-</u>
		<u>1,717,404</u>	<u>2,209,029</u>	<u>577,087</u>	<u>756,759</u>
Expenses					
Staff costs		336,471	342,151	111,004	111,927
Finance costs	10	408,362	628,982	113,688	195,176
General and administrative Expenses		299,643	304,859	81,674	94,049
Depreciation of property and Equipment		41,975	57,393	13,708	15,530
Allowances and provisions		268,006	297,920	90,248	143,114
Depreciation on investment Properties		75	-	75	-
Share of loss from investment in an Associate		<u>270</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>1,354,802</u>	<u>1,631,304</u>	<u>410,397</u>	<u>559,795</u>
Net profit for the period before charity reserve contribution		362,602	577,725	166,690	196,964
Contribution to charity reserve		<u>3,300</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net profit for the period		<u>359,302</u>	<u>577,725</u>	<u>166,690</u>	<u>196,964</u>
Basic and diluted earnings per Share	11	<u>1.5fils</u>	<u>2.4fils</u>	<u>0.7fils</u>	<u>0.8fils</u>

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

Condensed interim statement of comprehensive income for the quarter and the nine months ended 30 September 2011

(unaudited)

(Expressed in Bahraini Dinars)

	Nine months ended 30 September <u>2011</u>	Nine months ended 30 September <u>2010</u>	Quarter ended 30 September <u>2011</u>	Quarter ended 30 September <u>2010</u>
Net profit for the period	359,302	577,725	166,690	196,964
Net movement in the fair value reserve on the sale of investment properties	<u>(105,994)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>253,308</u>	<u>577,725</u>	<u>166,690</u>	<u>196,964</u>

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

	Share capital	Statutory reserve	Investment property fair value reserve	Charity reserve	Retained earnings	Total
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	-	75,967	-	-	(75,967)	-
At 31 December 2010	24,042,900	823,304	1,184,819	9,710	1,751,236	27,811,969
Charity reserve movement	-	-	-	(2,232)	-	(2,232)
Total comprehensive income	-	-	(105,994)	-	359,302	253,308
At 30 September 2011	24,042,900	823,304	1,078,825	7,478	2,110,538	28,063,045

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

	Notes	Nine months ended 30 September 2011	Nine months ended 30 September 2010
Operating activities			
Net profit for the period		359,302	577,725
Adjustments for:			
Depreciation on property and equipment		41,975	57,393
Depreciation on Ijarah Muntahia Bittamleek	5	1,800,055	1,451,083
Depreciation on investment properties		75	-
Realised gains on sale of investment properties		(112,505)	(26,240)
Finance costs	10	408,362	628,982
Share of loss from investment in an associates		270	-
Changes in operating assets and liabilities:			
Receivables and prepayments		127,513	(359,179)
Other liabilities		<u>(132,366)</u>	<u>(303,996)</u>
Net cash provided by operating activities		<u>2,492,681</u>	<u>2,025,768</u>
Investing activities			
Investment in an associate		-	(116,004)
Net movement in Musharaka financing		23,935	144,014
Net movement in Ijarah Muntahia Bittamleek		3,804,987	3,211,387
Purchase of property and equipment		-	(6,583)
Addition in investment properties		(33,596)	-
Proceeds from sale of investment properties		<u>281,705</u>	<u>115,790</u>
Net cash provided by investing activities		<u>4,077,031</u>	<u>3,348,604</u>
Financing activities			
Islamic financing repaid, net		(3,953,852)	(2,038,603)
Charity reserve movement		(2,232)	-
Finance costs paid	10	<u>(408,362)</u>	<u>(628,982)</u>
Net cash used in financing activities		<u>(4,364,446)</u>	<u>(2,667,585)</u>
Net increase in cash and cash equivalents		2,205,266	2,706,787
Cash and cash equivalents, beginning of the year		6,341,296	2,895,666
Cash and cash equivalents, end of the period		<u>8,546,562</u>	<u>5,602,453</u>
Comprising:			
Cash and bank balances		1,310,179	980,096
Mudaraba investments		<u>7,236,383</u>	<u>4,622,357</u>
		<u>8,546,562</u>	<u>5,602,453</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 Industry and Commerce and under license number FC/001 obtained on 3 May 2005 granted by Central Bank of Bahrain (“CBB”). 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 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 trading 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.

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 nine months ended 30 September 2011

(unaudited)

(Expressed in Bahraini Dinars)

3 Investment in an associate

	30 September <u>2011</u>	31 December <u>2010</u>
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 September 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 of the associate after this transaction is complete.

4 Mudaraba investments

	30 September <u>2011</u>	31 December <u>2010</u>
Ithmaar Bank	7,165,806	5,033,023
Khaleeji Commercial Bank	<u>70,577</u>	<u>73,364</u>
	<u>7,236,383</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
 nine months ended 30 September 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	326,781	658,854	985,635
Repayments/disposals during the period	<u>(1,519,830)</u>	<u>(4,103,507)</u>	<u>(5,623,337)</u>
At 30 September 2011	<u>7,576,182</u>	<u>18,797,681</u>	<u>26,373,863</u>
Depreciation			
At 31 December 2009	-	(3,591,910)	(3,591,910)
Charge for the year	-	(2,165,214)	(2,165,214)
Disposals 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	-	(1,800,055)	(1,800,055)
Disposals during the period	<u>-</u>	<u>922,715</u>	<u>922,715</u>
At 30 September 2011	<u>-</u>	<u>6,282,405</u>	<u>6,282,405</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>(90,000)</u>	<u>(90,000)</u>
At 30 September 2011	<u>-</u>	<u>(425,081)</u>	<u>(425,081)</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 September 2011	<u>7,576,182</u>	<u>12,090,195</u>	<u>19,666,377</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 September 2011 have lease terms of up to 20 years.

Reef Real Estate Finance Co. B.S.C. (c)
 Selected explanatory notes to the condensed interim financial information for the quarter and the
 nine months ended 30 September 2011
 (unaudited)
 (Expressed in Bahraini Dinars)

6 Investment properties

	Investment properties for capital appreciation	Investment properties for periodical consideration	Total
Cost/Revalued			
As at 31 December 2009	3,497,743	-	3,497,743
Disposals 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	-
Additions during the period	-	33,596	33,596
Disposals during the period	<u>(275,194)</u>	<u>-</u>	<u>(275,194)</u>
As at 30 September 2011	<u>2,019,308</u>	<u>815,264</u>	<u>2,834,572</u>
Depreciation			
As at 31 December 2010	-	-	-
Charge for the period	<u>-</u>	<u>75</u>	<u>75</u>
As at 30 September 2011	<u>-</u>	<u>75</u>	<u>75</u>
Net book value			
At 31 December 2010	<u>3,076,170</u>	<u>-</u>	<u>3,076,170</u>
At 30 September 2011	<u>2,019,308</u>	<u>815,189</u>	<u>2,834,497</u>

The Net book value of furniture & fixtures included in Investment properties for periodical consideration is BD21,026.

7 Receivables and prepayments

	30 September 2011	31 December 2010
Ijarah Muntahia Bittamleek rental receivables	645,394	474,624
Allowance for doubtful Ijarah Muntahia Bittamleek rental receivables	<u>(389,003)</u>	<u>(218,733)</u>
	256,391	255,891
Other receivables net of provision	337,556	459,770
Accrued profit on Mudaraba investments	<u>18,988</u>	<u>24,787</u>
	<u>612,935</u>	<u>740,448</u>

Other receivable includes an amount of BD100,428 (2010: BD100,428) which is considered doubtful 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 nine months ended 30 September 2011

(unaudited)

(Expressed in Bahraini Dinars)

8 Islamic financing

	30 September <u>2011</u>	31 December <u>2010</u>
Future Bank	2,011,693	2,012,083
Kuwait Finance House	-	1,903,677
Al Baraka Islamic Bank	1,484,019	1,896,293
Ithmaar bank	<u>-</u>	<u>1,637,511</u>
	<u>3,495,712</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 7.3% (2010: 7.7%) per annum.

9 Share capital

	30 September <u>2011</u>	31 December <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 share and the holders of the shares have equal voting rights.

10 Finance costs

	Nine months ended 30 September <u>2011</u>	Nine months ended 30 September <u>2010</u>	Quarter ended 30 September <u>2011</u>	Quarter ended 30 September <u>2010</u>
Wakalah financing costs	-	22,568	-	-
Murabaha financing costs	<u>408,362</u>	<u>606,414</u>	<u>113,688</u>	<u>195,176</u>
	<u>408,362</u>	<u>628,982</u>	<u>113,688</u>	<u>195,176</u>

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

Selected explanatory notes to the condensed interim financial information for the quarter and the nine months ended 30 September 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.

	Nine months ended 30 September 2011	Nine months ended 30 September 2010	Quarter ended 30 September 2011	Quarter ended 30 September 2010
Net profit attributable to the Shareholders	<u>359,302</u>	<u>577,725</u>	<u>166,690</u>	<u>196,964</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>1.5fils</u>	<u>2.4fils</u>	<u>0.7fils</u>	<u>0.8fils</u>

12 Directors' remunerations and charity

Directors remuneration amounting to BD35,000 and charity contributions of BD3,300 for the year ended 31 December 2010 were 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:

	30 September 2011	31 December 2010
Amounts due from related parties	<u>1,121,579</u>	<u>1,584,735</u>

14 Interim financial information

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