

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

Condensed interim financial information  
for the quarter and the nine months ended  
30 September 2012 (unaudited)

Reef Real Estate Finance Co. B.S.C. (c)  
Financial statements for the quarter and the nine months ended 30 September 2012

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Reef Real Estate Finance Co. B.S.C. (c)  
Administration and contact details as at 30 September 2012

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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 Mr Nasser Abdulhadi Al Gharibah Mr Samer Abbouchi Mr Mohammed Al Dosari Mr Mohamed A.Khaliq (From 17 May 2012) Dr Khalid Abdulla (Up to 17 May 2012)	(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	Mr Samer Abbouchi Mr Mohammed Al Dosari Mr. Mohamed A.Khaliq (From 17 May 2012) Dr Khalid Abdulla (Up to 17 May 2012)	(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 Ahli United Bank Kuwait Finance House Al Baraka Islamic 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 Co. B.S.C. (c)**

### ***Introduction***

We have reviewed the accompanying condensed interim statement of financial position of Reef Real Estate Finance Co. B.S.C. (c) ("the Company") as at 30 September 2012, 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 2012, 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  
October 2012

Reef Real Estate Finance Co. B.S.C. (c)  
 Condensed interim statement of financial position as at 30 September 2012  
 (unaudited)  
 (Expressed in Bahraini Dinars)

	Notes	30 September 2012	31 December 2011
<b>ASSETS</b>			
Cash and bank balances		2,041,046	1,906,068
Investments:			
Investment in an associate		512,549	512,549
Available for sale investments	3	3,543,000	-
Mudaraba investments	4	5,437,683	6,762,469
Musharaka financing		69,996	74,392
Ijarah Muntahia Bittamleek	5	13,395,297	17,433,875
Investment properties	6	2,856,586	2,836,986
Receivables and prepayments	7	765,985	599,657
Property and equipment		<u>35,940</u>	<u>28,010</u>
<b>Total assets</b>		<b><u>28,658,082</u></b>	<b><u>30,154,006</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Islamic financing		633,729	1,270,956
Other liabilities		<u>782,518</u>	<u>750,851</u>
		<u>1,416,247</u>	<u>2,021,807</u>
<b>Equity</b>			
Share capital	8	24,042,900	24,042,900
Statutory reserve		866,066	866,066
Investment property fair value reserve		1,078,825	1,078,825
Charity reserve		10,674	8,314
Retained earnings		<u>1,243,370</u>	<u>2,136,094</u>
		<u>27,241,835</u>	<u>28,132,199</u>
<b>Total liabilities and equity</b>		<b><u>28,658,082</u></b>	<b><u>30,154,006</u></b>

The unaudited condensed interim financial information, set out on pages 4 to 13, were approved for issue by the Board of Directors on 10 October 2012 and signed on their behalf by:

\_\_\_\_\_  
 Ali Ahmed Al Baghli  
 Chairman

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 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 2012  
(Unaudited)  
(Expressed in Bahraini Dinars)

	Notes	Nine months ended 30 September 2012	Nine months ended 30 September 2011	Quarter ended 30 September 2012	Quarter ended 30 September 2011
<b>Income</b>					
Gross Ijarah revenue		2,225,107	3,109,021	770,319	1,009,249
Less: Depreciation on Ijarah Muntahia Bittamleek	5	<u>1,258,180</u>	<u>1,800,055</u>	<u>405,365</u>	<u>558,918</u>
		966,927	1,308,966	364,954	450,331
Profit from Musharaka financing		5,217	15,217	1,715	4,830
Profit from Mudaraba investments		158,937	194,165	53,024	74,956
Fees income from Ijarah Muntahia Bittamleek		60,646	60,681	16,616	24,300
Realised gains on sale of investment properties		-	112,505	-	-
Rental Income from Investment Properties		<u>131,299</u>	<u>25,870</u>	<u>42,109</u>	<u>22,670</u>
		<u>1,323,026</u>	<u>1,717,404</u>	<u>478,418</u>	<u>577,087</u>
<b>Expenses</b>					
Staff costs		303,027	336,471	93,796	111,004
Finance costs		86,722	408,362	25,110	113,688
General and administrative expenses		311,015	302,943	83,190	81,674
Depreciation of property and equipment		17,153	41,975	2,319	13,708
Depreciation on investment properties		371	75	130	75
Allowances and provisions		295,317	268,006	188,690	90,248
Share of loss from investment in an associated		<u>-</u>	<u>270</u>	<u>-</u>	<u>-</u>
		<u>1,013,605</u>	<u>1,358,102</u>	<u>393,235</u>	<u>410,397</u>
<b>Net profit for the period</b>		<u>309,421</u>	<u>359,302</u>	<u>85,183</u>	<u>166,690</u>
<b>Basic and diluted earnings per share</b>		<u>fi1s1.3</u>	<u>fi1s1.5</u>	<u>fi0s0.4</u>	<u>fi0s0.7</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 2012  
 (Unaudited)  
 (Expressed in Bahraini Dinars)

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	Nine months ended 30 September <u>2012</u>	Nine months ended 30 September <u>2011</u>	Quarter ended 30 September <u>2012</u>	Quarter ended 30 September <u>2011</u>
<b>Net profit for the period</b>	309,421	359,302	85,183	166,690
Net movement in the fair value reserve on the sale of investment properties	<u>-</u>	<u>(105,994)</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the period</b>	<u>309,421</u>	<u>253,308</u>	<u>85,183</u>	<u>166,690</u>

Reef Real Estate Finance Co. B.S.C. (c)  
 Condensed interim statement of changes in equity for the nine months ended 30 September 2012  
 (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 2010 (Audited)	24,042,900	823,304	1,184,819	9,710	1,751,236	27,811,969
Charity reserve movement	-	-	-	(1,396)	-	(1,396)
Total comprehensive income	-	-	(105,994)	-	427,620	321,626
Transferred to statutory reserve	-	<u>42,762</u>	-	-	<u>(42,762)</u>	-
At 31 December 2011 (Audited)	24,042,900	866,066	1,078,825	8,314	2,136,094	28,132,199
Dividend for the year 2011	-	-	-	-	(1,202,145)	(1,202,145)
Charity reserve movement	-	-	-	2,360	-	2,360
Total comprehensive income	-	-	-	-	<u>309,421</u>	<u>309,421</u>
At 30 September 2012 (Unaudited)	<u>24,042,900</u>	<u>866,066</u>	<u>1,078,825</u>	<u>10,674</u>	<u>1,243,370</u>	<u>27,241,835</u>



Reef Real Estate Finance Co. B.S.C. (c)  
Condensed interim statement of cash flows for the nine months ended 30 September 2012  
(Unaudited)  
(Expressed in Bahraini Dinars)

	Notes	Nine months ended 30 September 2012	Nine months ended 30 September 2011
<b>Operating activities</b>			
Net profit for the period		309,421	359,302
Adjustments for:			
Depreciation on property and equipment		17,153	41,975
Depreciation on Ijarah Muntahia Bittamleek	5	1,258,180	1,800,055
Depreciation on investment properties		371	75
Realised gains on sale of investment properties		-	(112,505)
Finance costs		86,722	408,362
Share of loss from investment in an associates		-	270
Changes in operating assets and liabilities:			
Receivables and prepayments		(166,328)	127,513
Other liabilities		<u>31,667</u>	<u>(132,366)</u>
Net cash provided by operating activities		<u>1,537,186</u>	<u>2,492,681</u>
<b>Investing activities</b>			
Investments in Available-for-sale investments		(3,543,000)	-
Net movement in Musharaka financing		4,396	23,935
Net movement in Ijarah Muntahia Bittamleek		2,780,398	3,804,987
Net Movement in Mudaraba investments		1,324,786	(2,129,996)
Addition in property and equipment		(25,083)	-
Addition in investment properties		(19,971)	(33,596)
Proceeds from sale of investment properties		<u>-</u>	<u>281,705</u>
Net cash provided by investing activities		<u>521,526</u>	<u>1,947,035</u>
<b>Financing activities</b>			
Islamic financing repaid, net		(637,227)	(3,953,852)
Charity reserve movement		2,360	(2,232)
Dividend paid		(1,202,145)	-
Finance costs paid		<u>(86,722)</u>	<u>(408,362)</u>
Net cash used in financing activities		<u>(1,923,734)</u>	<u>(4,364,446)</u>
<b>Net increase in cash and cash equivalents</b>		134,978	75,270
Cash and cash equivalents, beginning of the period		<u>1,906,068</u>	<u>1,234,909</u>
Cash and cash equivalents, end of the period		<u>2,041,046</u>	<u>1,310,179</u>
Comprising:   Cash and bank balances		<u>2,041,046</u>	<u>1,310,179</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 2011. The financials information has been presented in Bahraini Dinar (BD) which is also the functional currency of the company.

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.

## 3 Available-for-sale investment

During the period, the Company has invested BD3,543,000 in the share capital of the Amwaj Property Limited (APL), incorporated in British Virgin Islands. These shares are not listed and the value of the investment amounts to 9.52% of the total share capital of APL. The investment has been recorded at cost and subsequently will be re-measured at their fair value at each reporting period.

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 2012  
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4 Mudaraba investments

	30 September 2012 <u>(Unaudited)</u>	31 December 2011 <u>(Audited)</u>
Ahli United Bank	1,508,152	-
Ithmaar Bank	3,358,954	6,691,892
Al Baraka Islamic Bank	500,000	-
Khaleeji Commercial Bank	<u>70,577</u>	<u>70,577</u>
	<u>5,437,683</u>	<u>6,762,469</u>

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

5 Ijarah Muntahia Bittamleek

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<b>Cost</b>			
At 31 December 2010	8,769,231	22,242,334	31,011,565
Additions during the year	492,301	769,269	1,261,570
Provision utilized	-	(120,000)	(120,000)
Payment received/disposals during the year	<u>(2,626,429)</u>	<u>(5,235,182)</u>	<u>(7,861,611)</u>
At 31 December 2011	6,635,103	17,656,421	24,291,524
Additions during the period	178,257	644,658	822,915
Payment received/disposals during the period	<u>(1,690,260)</u>	<u>(3,261,454)</u>	<u>(4,951,714)</u>
At 30 September 2012	<u>5,123,100</u>	<u>15,039,625</u>	<u>20,162,725</u>
<b>Depreciation</b>			
At 31 December 2010	-	(5,405,065)	(5,405,065)
Charged for the year	-	(2,291,115)	(2,291,115)
Disposal during the year	<u>-</u>	<u>1,173,612</u>	<u>1,173,612</u>
At 31 December 2011	-	(6,522,568)	(6,522,568)
Charged for the period	-	(1,258,180)	(1,258,180)
Disposal during the period	<u>-</u>	<u>1,438,401</u>	<u>1,438,401</u>
At 30 September 2012	<u>-</u>	<u>(6,342,347)</u>	<u>(6,342,347)</u>
<b>Impairment provision</b>			
At 31 December 2010 and 31 December 2011	-	(335,081)	(335,081)
Provided during the period	<u>-</u>	<u>(90,000)</u>	<u>(90,000)</u>
At 30 September 2012	<u>-</u>	<u>(425,081)</u>	<u>(425,081)</u>
<b>Net book value</b>			
At 31 December 2011 (Audited)	<u>6,635,103</u>	<u>10,798,772</u>	<u>17,433,875</u>
At 30 September 2012 (Unaudited)	<u>5,123,099</u>	<u>8,272,197</u>	<u>13,395,297</u>

Reef Real Estate Finance Co. B.S.C. (c)  
 Selected explanatory notes to the condensed interim financial information  
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5 Ijarah Muntahia Bittamleek (continued)

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 September 2012 have lease terms up to 23 years.

6 Investment properties

	Investment properties for capital appreciation	Investment properties for periodical consideration	Total
<b><u>Cost/Revalued</u></b>			
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 year	-	36,164	36,164
Disposals during the year	<u>(275,194)</u>	<u>-</u>	<u>(275,194)</u>
As at 31 December 2011	2,019,308	817,832	2,837,140
Transfer from investment properties for capital appreciation to periodical consideration	(2,019,308)	2,019,308	-
Additions during the period	<u>-</u>	<u>19,971</u>	<u>19,971</u>
As at 30 September 2012	<u>-</u>	<u>2,857,111</u>	<u>2,857,111</u>
<b><u>Depreciation</u></b>			
As at 31 December 2010	-	-	-
Charge for the year	<u>-</u>	<u>154</u>	<u>154</u>
As at 31 December 2011	-	154	154
Charge for the period	<u>-</u>	<u>371</u>	<u>371</u>
As at 30 September 2012	<u>-</u>	<u>525</u>	<u>525</u>
<b>Net book value</b>			
At 31 December 2011 (Audited)	<u>2,019,308</u>	<u>817,678</u>	<u>2,836,986</u>
At 30 September 2012 (Unaudited)	<u>-</u>	<u>2,856,586</u>	<u>2,856,586</u>

Included in investment properties for periodical consideration is the net book value of furniture & fixtures of BD30,775 which is depreciated over their useful life.

Reef Real Estate Finance Co. B.S.C. (c)  
 Selected explanatory notes to the condensed interim financial information  
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**7 Receivables and prepayments**

	30 September 2012 <u>(Unaudited)</u>	31 December 2011 <u>(Audited)</u>
Ijarah Muntahia Bittamleek rental receivables	1,184,246	762,198
Allowance for doubtful Ijarah Muntahia Bittamleek rental Receivables	<u>(716,460)</u>	<u>(511,143)</u>
	467,786	251,055
Other receivables net of provision	252,457	321,771
Accrued profit on Mudaraba investments	<u>45,742</u>	<u>26,831</u>
	<u>765,985</u>	<u>599,657</u>

Other receivable includes an asset of BD100,428(2011:100,428) which are considered not to be recoverable and has been fully provided.

**8 Share capital**

	30 September 2012 <u>(Unaudited)</u>	31 December 2011 <u>(Audited)</u>
<b>Authorised</b>		
400,000,000 (2011: 400,000,000) ordinary shares of 100 Fils each	<u>40,000,000</u>	<u>40,000,000</u>
<b>Issued and fully paid-up</b>		
240,429,000 (2011: 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.

In accordance with resolutions passed at the Annual General Meeting held on 17, May 2012, cash dividends of 5fils per share, amounting to a total dividend of BD1,202,145 and charity reserve amounting to BD5,000 in respect of 2011 were approved by the shareholders.

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 2012  
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**9 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 2012	Nine months ended 30 September 2011	Quarter ended 30 September 2012	Quarter ended 30 September 2011
Net profit attributable to the shareholders	<u>309,421</u>	<u>359,302</u>	<u>85,183</u>	<u>166,690</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>fi1.3</u>	<u>fi1.5</u>	<u>fi0.4</u>	<u>fi0.7</u>

**12 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 2012 (Unaudited)	31 December 2011 (Audited)
Amounts due from related parties	<u>332,049</u>	<u>783,556</u>

**13 Interim financial information**

The interim net profit for the quarter and the nine months ended 30 September 2012 may not represent a proportionate share of the annual net income due to the variability in the receipt of income.

**14 Subsequent events**

There were no significant events subsequent to 30 September 2012 and occurring before the date of signing of the financial statements that would have a significant impact on these financial statements.