

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

**Consolidated condensed interim
financial information for the quarter
and the nine months ended
30 September 2013 (Unaudited)**

Reef Real Estate Finance Co. B.S.C. (c)
Financial information for the quarter and the nine months ended 30 September 2013

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Reef Real Estate Finance Co. B.S.C. (c)
Administration and contact details as at 30 September 2013

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 - Chairman Mr Saud Kanoo - Vice-Chairman Mr Faisal Al Matrook Mr Nasser Abdulhadi Al Gharibah Mr Samer Abbouchi Mr Mohammed Al Dosari Mr Mohamed A.Khaliq
Chief Executive Officer	Mr Mahmood Al Koofi
Executive Committee	Mr Faisal Al Matrook - Chairman Mr Saud Kanoo Mr Nasser Abdulhadi Al Gharibah
Audit Committee	Mr Samer Abbouchi - Chairman Mr Mohammed Al Dosari Mr Mohamed A.Khaliq
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 Bank Muscat international Bahrain Islamic Bank
Auditors	BDO 17 th Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain



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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 consolidated condensed interim statement of financial position of Reef Real Estate Finance B.S.C. (c) ("the Company") and its subsidiary ("the Group") as at 30 September 2013 the consolidated condensed interim statement of profit or loss and other comprehensive income, the consolidated condensed interim statement of changes in equity, the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated condensed interim financial information does not present fairly, in all material respects, the financial position of the Group as at 30 September 2013, 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.

BDO

Manama, Kingdom of Bahrain
6 November 2013

Reef Real Estate Finance Co. B.S.C. (c)
 Consolidated condensed interim statement of financial position as at 30 September 2013
 (Unaudited)
 (Expressed in Bahraini Dinars)

	<u>Notes</u>	30 September 2013 (Unaudited)	31 December 2012 (Audited)
ASSETS			
Cash and bank balances		565,134	559,012
Investments:			
Investment in an associate	4	-	512,139
Available-for-sale investments	5	1,363,013	3,543,000
Mudaraba investments	6	6,848,335	7,484,905
Murabaha financing	7	4,813,008	-
Ijarah Muntahia Bittamleek and Musharaka	8	8,554,946	12,259,502
Property under development	9	1,300,496	-
Investment in real estate held-for-use	10	3,233,344	3,359,401
Receivables and prepayments	11	734,991	651,615
Property and equipment		<u>22,143</u>	<u>33,282</u>
Total assets		<u>27,435,410</u>	<u>28,402,856</u>
LIABILITIES AND EQUITY			
Liabilities			
Islamic financing		-	421,156
Other liabilities		<u>563,775</u>	<u>623,394</u>
		<u>563,775</u>	<u>1,044,550</u>
Equity			
Share capital	12	24,042,900	24,042,900
Statutory reserve		908,652	908,652
Properties fair value reserve		1,078,825	1,078,825
Charity reserve		2,756	10,704
Retained earnings		<u>838,502</u>	<u>1,317,225</u>
		<u>26,871,635</u>	<u>27,358,306</u>
Total liabilities and equity		<u>27,435,410</u>	<u>28,402,856</u>

The unaudited consolidated condensed interim financial information, set out on pages 4 to 17, were approved for issue by the Board of Directors on 6 November 2013 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)
 Consolidated condensed interim statement of profit or loss and other comprehensive income
 for the quarter and the nine months ended 30 September 2013
 (Unaudited)
 (Expressed in Bahraini Dinars)

	Notes	Nine months ended 30 September 2013	Nine months ended 30 September 2012	Quarter ended 30 September 2013	Quarter ended 30 September 2012
Income					
Gross Ijarah and Musharaka revenue		1,649,822	2,225,107	516,333	770,319
Less: Depreciation on Ijarah Muntahia Bittamleek	8	<u>932,501</u>	<u>1,258,180</u>	<u>365,155</u>	<u>405,365</u>
		717,321	966,927	151,178	364,954
Profit from Mudaraba investments		158,196	158,937	47,987	53,024
Profit from Murabaha financing		349,736	5,217	147,424	1,715
Fees income from Ijarah Muntahia Bittamleek		26,372	60,646	8,125	16,616
Gain on settlement of due to exiting shareholder	4	242,216	-	-	-
Rental income from investment in real estate held-for-use		94,050	131,299	32,680	42,109
Other income		<u>56,011</u>	<u>-</u>	<u>36,233</u>	<u>-</u>
		<u>1,643,902</u>	<u>1,323,026</u>	<u>423,627</u>	<u>478,418</u>
Expenses					
Staff costs		314,561	303,027	108,883	93,796
Finance costs		19,154	86,722	-	25,110
General and administrative expenses		300,758	311,015	86,792	83,190
Depreciation of property and equipment		14,669	17,153	4,742	2,319
Depreciation on investment properties		403	371	135	130
Impairment on property under development		85,238	-	-	-
Allowances and provisions		<u>185,697</u>	<u>295,317</u>	<u>40,116</u>	<u>188,690</u>
		<u>920,480</u>	<u>1,013,605</u>	<u>240,668</u>	<u>393,235</u>
Net profit for the period		<u>723,422</u>	<u>309,421</u>	<u>182,959</u>	<u>85,183</u>
Basic and diluted earnings per share	13	<u>fil3.0</u>	<u>fil1.3</u>	<u>fil0.8</u>	<u>fil0.4</u>

Reef Real Estate Finance Co. B.S.C. (c)
Consolidated condensed interim statement of changes in equity for the nine months ended 30 September 2013
(Unaudited)
(Expressed in Bahraini Dinars)

	Share capital	Statutory reserve	Properties fair value reserve	Charity reserve	Retained earnings	Total
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	-	-	-	-	309,421	309,421
At 30 September 2012 (Unaudited)	24,042,900	866,066	1,078,825	10,674	1,243,370	27,241,835
At 31 December 2012 (Audited)	24,042,900	908,652	1,078,825	10,704	1,317,225	27,358,306
Dividend for the year 2012	-	-	-	-	(1,202,145)	(1,202,145)
Charity reserve movement	-	-	-	(7,948)	-	(7,948)
Total comprehensive income	-	-	-	-	723,422	723,422
At 30 September 2013 (Unaudited)	24,042,900	908,652	1,078,825	2,756	838,502	26,871,635

Reef Real Estate Finance Co. B.S.C. (c)
Consolidated condensed interim statement of cash flows equity for the nine months
ended 30 September 2013
(Unaudited)
(Expressed in Bahraini Dinars)

	Nine months ended 30 September 2013 <u>(Unaudited)</u>	Nine months ended 30 September 2012 <u>(Unaudited)</u>
Operating activities		
Net profit for the period	723,422	309,421
Adjustments for:		
Depreciation on property and equipment	14,669	17,153
Depreciation on Ijarah Muntahia Bittamleek	932,501	1,258,180
Depreciation on investment in real estate held-for-use	403	371
Realised loss on sale of investment in real estate held-for-use	10,446	-
Impairment loss on Property under development	85,238	-
Finance costs	19,154	86,722
Changes in operating assets and liabilities:		
Receivables and prepayments	(83,377)	(166,328)
Other liabilities	<u>(59,618)</u>	<u>31,667</u>
Net cash provided by operating activities	<u>1,642,838</u>	<u>1,537,186</u>
Investing activities		
Net movement in Murabaha financing	(1,624,308)	-
Additions in available-for-sale investments	(1,008,713)	(3,543,000)
Net movement in properties under development	(1,385,734)	-
Net Movement in investment in associates	512,139	-
Purchase of property and equipment	(3,531)	(25,083)
Addition in investment in real estate held-for-use	(376,643)	(19,971)
Net Movement in Mudaraba investments	491,852	1,324,786
Net movement in Ijarah Muntahia Bittamleek and Musharaka	2,772,055	2,780,398
Proceeds from sale of Investment in real estate held-for-use	636,570	-
Net movement in Musharaka financing	<u>-</u>	<u>4,396</u>
Net cash provided by investing activities	<u>13,687</u>	<u>521,526</u>
Financing activities		
Islamic financing repaid, net	(421,156)	(637,227)
Charity reserve movement	(7,948)	2,360
Dividend paid	(1,202,145)	(1,202,145)
Finance costs paid	<u>(19,154)</u>	<u>(86,722)</u>
Net cash used in financing activities	<u>(1,650,403)</u>	<u>(1,923,734)</u>
Net increase in cash and cash equivalents	6,122	134,978
Cash and cash equivalents, beginning of the period	<u>559,012</u>	<u>1,906,068</u>
Cash and cash equivalents, end of the period	<u>565,134</u>	<u>2,041,046</u>

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

Selected explanatory notes to the consolidated condensed interim financial information for the quarter and the nine months ended 30 September 2013

(Unaudited)

(Expressed in Bahraini Dinars)

1 Organisation and principal activities

Reef Real Estate Finance Co. B.S.C. (c) (“the Company”) and its subsidiary comprise “the Group”. 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 5 May 2005. The Company commenced commercial operations on 10 September 2005.

The principal activities of the Group 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.

The structure of the Group is as follows:

Subsidiary company

<u>Name of subsidiary</u>	<u>Country of Incorporation</u>	<u>Principal Activities</u>	<u>Effective ownership interest 2013</u>	<u>Effective ownership interest 2012</u>
First Reef B.S.C. (c)*	Kingdom of Bahrain	Buying and selling of properties	99.9%	45%
Reef Investment UK B.S.C (c)	Kingdom of Bahrain	To Issue Funds	99.9%	-

As the Company now exercises significant influence over First Reef B.S.C. (c), the investment has been accounted for as an subsidiary as at 30 September 2013.

* Refer note 4

2 Basis of preparation

The consolidated 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 consolidated condensed interim financial information has been presented in accordance with International Accounting Standard 34 - “Interim Financial Reporting”. The consolidated 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 2012.

These financial statements have been prepared under the historical cost convention, modified by the valuation of investment properties and available-for-sale investment which are measured at their fair values.

The functional and presentation currency of the Company is Bahrain Dinars (BD).

Standards, amendments and interpretations effective and adopted in 2013

The following new standards, amendments to existing standards or interpretations to published standards are mandatory for the first time for the financial year beginning 1 January 2013 and have been adopted in the preparation of the financial statements:

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 1	Presentation of Financial Statements	1 July 2012

Standards, amendments and interpretations effective and adopted in 2013

- The main change requires entities to present line items for OCI amounts by nature and to group items presented in OCI into two categories:
 - those that could subsequently be reclassified to profit or loss (reclassification adjustments); and
 - = those that will not be reclassified.
- In addition, a change was made to the title of the statement of comprehensive income. This is now referred to as the ‘statement of profit or loss and other comprehensive income’. However, the flexibility currently in IAS 1 to use other titles will remain.

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

Selected explanatory notes to the consolidated condensed interim financial information for the quarter and the nine months ended 30 September 2013

(Unaudited)

(Expressed in Bahraini Dinars)

2 Basis of preparation (continued)

Standards, amendments and interpretations issued and effective in 2013 but not relevant

The following new standards, amendments to existing standards and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2013 or subsequent periods, but are not relevant to the Group's operations:

<u>Standard or Interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 19	Employee benefits	1 January 2013
IAS 27	Separate Financial Statements	1 January 2013
IAS 28	Investments in Associates and Joint Ventures	1 January 2013
IFRS 1	First Time Adoption of International Financial Reporting Standards	1 January 2013
IFRS 7	Financial Instruments - Disclosures	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Agreements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IFRIC 20	Stripping Costs in the Production Phase of Surface Mine	1 January 2013

Improvements/amendments to IFRS 2009/2011 cycle

Improvements/amendments to IFRS issued in 2009/2011 cycle contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Group's annual audited financial statements beginning on or after 1 January 2013 with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

Standards, amendments and interpretations issued but not yet effective in 2013

The following IFRS and IFRIC interpretations issued/revised as at 1 January 2013 or subsequent periods have not been early adopted by the Group's management:

<u>Standard or Interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 32	Financial Instruments - Presentation	1 January 2014
IFRS 7	Financial Instruments - Disclosures	1 January 2015
IFRS 9	Financial Instruments - Classification and Measurement	1 January 2015

There would have been no change in the operational results of the Group for the period ended 30 September 2013 had the Group early adopted any of the above standards applicable to the Group.

Early adoption of amendments or standards in 2013

The Group did not early-adopt any new or amended standards in 2013.

3 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate financial statements of the company and its subsidiary from the date that control effectively commenced until the date that control effectively ceased. Control is achieved when the company has the power to govern the financial and operational policies of an entity so as to obtain benefits from its activities. All intergroup balances, transactions and unrealised profits and losses are eliminated in full on consolidation.

First time adoption

Investment in real estate

During 2013, a new accounting standard was issued by AAOIFI, Financial Accounting Standard No. 26 "Investment in real estate" applicable to the Group which requires investments in real estate to be initially measured at cost and subsequently at cost or fair value. The Group decided to opt for the fair value model and considers its investments to be categorised as "investments in real estate held-for-use" given that they do not intend to sell the investment in the next twelve months.

The standard requires this change to be applied retroactively in accordance with the transitional provisions of Financial Accounting Standard No. 26 "Investment in real estate" and Financial Accounting Standard No. 1 "General Presentation and Disclosure in the Financial Statements of Islamic Banks and Financial institutions". The requirement is to restate the opening balances of last period presented. The Group investments in real estate for comparative period are in the nature of held-for-use and have always been fair valued in the prior year therefore there is no need for adjustment in opening retained earnings as of 1 January 2012. As of 30 September 2013, the "Property fair value reserve" amounts to BD1,078,825.

Overall there has been no impact on the financial position or results of the Group upon adoption of this new standard.

Murabaha financing

Mudaraba financing are partnerships in which the Group contributes capital. These are stated at the fair value of consideration given. Subsequent to initial recognition, Murabaha financing is stated at cost less allowance for doubtful receivables.

Profit in respect of company share in mudaraba financing shall be recognised on proportionate basis over the period of credit.

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

Selected explanatory notes to the consolidated condensed interim financial information for the quarter and the nine months ended 30 September 2013

(Unaudited)

(Expressed in Bahraini Dinars)

3 Significant accounting policies (continued)

Property-under-development

Property-under-development represents properties held for sale in the ordinary course of business or in the process of construction and development for future sale. Property-under-development are valued at cost and include expenditure incurred in the normal course of developing and constructing the property, such as materials, labour and directly attributable overheads.

Properties-under-development are derecognised when they have either been disposed of, or when the property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on derecognition of a property under development are recognised in the statement of profit or loss and other comprehensive income in the year of derecognition.

4 Investment in an associate

During the period, the shareholders of the associate company at their meeting held on 8 April 2013 approved the transfer of shares held by Kooheji Contractors W.L.L. and Mohammed Rahma Mohsin Al Tajer in favour of Reef Real Estate Finance Co B.S.C. (c) and Mr. Saud Abdulaziz Qasim Kanoo. As a result, Reef Real Estate Finance Co B.S.C. (c) holds 99.9% of the First Reef B.S.C (c) as of 30 September 2013.

Further, on settlement of dues to former shareholders of the subsidiary company, the subsidiary has made a gain amounting to BD242,216 which is shown in the consolidated statement of profit or loss. In summary, the share of net worth for existing shareholders was BD625,880 and exit consideration paid by subsidiary company for settling the dues amounted to BD383,664 thereby resulting in a net gain of BD242,216.

5 Available-for-sale investment

	30 September 2013 (Unaudited)	31 December 2012 (Audited)
Opening balance	3,543,000	-
Addition during the year	1,008,713	3,543,000
Transferred to Murabaha financing	<u>(3,188,700)</u>	-
	<u>1,363,013</u>	<u>3,543,000</u>

During the year 2012, the Group has invested BD3,543,000 in acquiring 9.52% of the share capital of the Amwaj Property Limited (APL), incorporated in British Virgin Islands. These shares are not listed. The main objective of APL is to develop a property in London, England ("the project"). During the period, APL converted 90% of investment in its equity as murabaha financing accordingly the 90% of carrying value transferred to Murabaha financing as of 30 September 2013 and recording an accrued profit of BD295,453 on murabaha financing upto 30 September 2013.

During the current quarter of 2013, the Group has invested BD1,008,713 in acquiring shares in Manazel Qurtoba 2 fund, floated by MEFIC Capital in, Saudi Arabia. These shares are not listed. The main objective of Fund is to develop a property in Northern Riyadh, Saudi Arabia.

Reef Real Estate Finance Co. B.S.C. (c)
 Selected explanatory notes to the consolidated condensed interim financial information for the
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6 Mudaraba investments

	30 September 2013 <u>(Unaudited)</u>	31 December 2012 <u>(Audited)</u>
Ithmaar Bank	1,500,000	3,396,761
Ahli United Bank	521,856	1,516,619
Kuwait Finance House	1,500,000	1,502,713
BMI bank	2,000,000	-
Bahrain Islamic Bank	507,667	-
Al-Baraka Islamic Bank	750,000	1,000,000
Khaleeji Commercial Bank	<u>68,812</u>	<u>68,812</u>
	<u>6,848,335</u>	<u>7,484,905</u>

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

7 Murabaha financing

		30 September 2013 <u>(Unaudited)</u>	31 December 2012 <u>(Audited)</u>
Amwaj Property Limited (APL)	(a)	3,188,700	-
Amwaj Property Limited (APL) - Mezzanine	(b)	596,233	-
Omniyat properties six limited	(c)	<u>1,028,075</u>	<u>-</u>
		<u>4,813,008</u>	<u>-</u>

- a) The Murabaha financing with Amwaj Property Limited (APL) is unsecured, bears a profit of 12.5% per annum and an arrangement fee of 1% and is not expected to be repaid within one year from the financial position date (Note 4).
- b) The Murabaha financing with Amwaj Property Limited (APL) is secured, bears a profit of 12.5% per annum and is expected to be repaid on 30 May 2015.
- c) The Omniyat properties six limited (OPUS Project) is secured, bears a profit of 15% per annum and is expected to be repaid at the end of two years from the date of investment. This project is based in Dubai, UAE.

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

Selected explanatory notes to the consolidated condensed interim financial information for the quarter and the nine months ended 30 September 2013

(Unaudited)

(Expressed in Bahraini Dinars)

8 Ijarah Muntahia Bittamleek and Musharaka

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost			
At 31 December 2011	6,714,566	17,656,421	24,370,987
Additions during the year	599,515	661,935	1,261,450
Transferred to receivables	-	(350,000)	(350,000)
Payment received/disposals during the year	<u>(2,560,127)</u>	<u>(3,766,666)</u>	<u>(6,326,793)</u>
At 31 December 2012	4,753,954	14,201,690	18,955,644
Additions during the period	-	154,215	154,215
Payment received/disposals during the period	<u>(1,533,765)</u>	<u>(2,551,864)</u>	<u>(4,085,629)</u>
At 30 September 2013	<u>3,220,189</u>	<u>11,804,041</u>	<u>15,024,230</u>
Depreciation			
At 31 December 2011	-	(6,522,568)	(6,522,568)
Charged for the year	-	(1,621,052)	(1,621,052)
Transferred to receivables	-	188,462	188,462
Disposal during the year	<u>-</u>	<u>1,577,288</u>	<u>1,577,288</u>
At 31 December 2012	-	(6,377,870)	(6,377,870)
Charged for the period	-	(932,501)	(932,501)
Disposal during the period	<u>-</u>	<u>1,249,359</u>	<u>1,249,359</u>
At 30 September 2013	<u>-</u>	<u>(6,061,012)</u>	<u>(6,061,012)</u>
Impairment provision			
At 31 December 2011	(5,071)	(335,081)	(340,152)
Transferred to receivables	-	141,880	141,880
Increase in provision	<u>-</u>	<u>(120,000)</u>	<u>(120,000)</u>
At 31 December 2012	(5,071)	(313,201)	(318,272)
Increase in provision	<u>-</u>	<u>(90,000)</u>	<u>(90,000)</u>
At 30 September 2013	<u>(5,071)</u>	<u>(403,201)</u>	<u>(408,272)</u>
Net book value			
At 30 September 2013 (unaudited)	<u>3,215,118</u>	<u>5,339,828</u>	<u>8,554,946</u>
At 31 December 2012 (audited)	<u>4,748,883</u>	<u>7,510,619</u>	<u>12,259,502</u>

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 2013 have lease terms of up to 20 years.

Reef Real Estate Finance Co. B.S.C. (c)
 Selected explanatory notes to the consolidated condensed interim financial information for the
 quarter and the nine months ended 30 September 2013
 (Unaudited)
 (Expressed in Bahraini Dinars)

9 Property-under-development

During the period, the Group has invested BD184,910 in developing a three storey building at Shakhoora, Bahrain. The Group holds 79% share in the project.

Investment in "Le Papillon Project" in Juffair amounts to BD1,115,586.

10 Investment in real estate held-for-use

	<u>Investment properties for capital appreciation</u>	<u>Investment properties for periodical consideration</u>	<u>Total</u>
Cost/Revalued			
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 year	<u>502,297</u>	<u>20,620</u>	<u>522,917</u>
As at 31 December 2012	502,297	2,857,760	3,360,057
Additions during the period	376,208	435	376,643
Disposal during the period	<u>(502,297)</u>	<u>-</u>	<u>(502,297)</u>
As at 30 September 2013	<u>376,208</u>	<u>2,858,195</u>	<u>3,234,403</u>
<u>Depreciation</u>			
As at 31 December 2011	-	154	154
Charge for the year	<u>-</u>	<u>502</u>	<u>502</u>
As at 31 December 2012	-	656	656
Charge for the period	<u>-</u>	<u>403</u>	<u>403</u>
As at 30 September 2013	<u>-</u>	<u>1,059</u>	<u>1,059</u>
Net book value			
At 30 September 2013 (unaudited)	<u>376,208</u>	<u>2,857,136</u>	<u>3,233,344</u>
At 31 December 2012 (audited)	<u>502,297</u>	<u>2,857,104</u>	<u>3,359,401</u>

Included in investment properties for periodical consideration is the net book value of furniture & fixtures of BD31,325 (2012:31,293) which is depreciated over their useful life.

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11 Receivables and prepayments

	30 September 2013 <u>(Unaudited)</u>	31 December 2012 <u>(Audited)</u>
Ijarah Muntahia Bittamleek rental receivables	724,069	904,019
Allowance for doubtful Ijarah Muntahia Bittamleek rental receivables	(585,890)	(593,592)
Other receivables	1,045,915	681,156
Allowance for other receivables	(473,936)	(384,173)
Accrued profit on Mudaraba investments	<u>24,833</u>	<u>44,205</u>
	<u><u>734,991</u></u>	<u><u>651,615</u></u>

12 Share capital

	30 September 2013 <u>(Unaudited)</u>	31 December 2012 <u>(Audited)</u>
Authorised 400,000,000 (2012: 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 (2012: 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.

13 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 2013	Nine months ended 30 September 2012	Quarter ended 30 September 2013	Quarter ended 30 September 2012
Net profit attributable to the shareholders	<u>723,422</u>	<u>309,421</u>	<u>182,959</u>	<u>85,183</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>fils3.0</u>	<u>fils1.3</u>	<u>fils0.8</u>	<u>fils0.4</u>

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(Unaudited)

(Expressed in Bahraini Dinars)

14 Related party transactions

Related parties consist of the shareholders and directors and their close family members, and businesses under their control. The Group'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>Related party relationship</u>	<u>30 September 2013</u> (Unaudited)	<u>31 December 2012</u> (Audited)
Amounts due from related parties	Shareholder's and immediate family members	<u>177,453</u>	<u>299,613</u>

15 Interim financial information

The interim net profit for the nine months ended 30 September 2013 may not represent a proportionate share of the annual net income due to the variability in the receipt of income.