

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

Condensed interim financial
information for the quarter
ended 31 March 2012
(Unaudited)

Reef Real Estate Finance Co. B.S.C. (c)
Financial information for the quarter ended 31 March 2012

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Reef Real Estate Finance Co. B.S.C. (c)
Administration and contact details as at 31 March 2012

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 Bahrain 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 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 31 March 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 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 31 March 2012, and of its financial performance and its cash flows for the quarter 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.

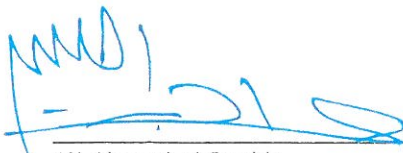


Manama, Kingdom of Bahrain
16 May 2012

Reef Real Estate Finance Co. B.S.C. (c)
Condensed interim statement of financial position as at 31 March 2012
(Unaudited)
(Expressed in Bahraini Dinars)

	Notes	31 March 2012 (Unaudited)	31 December 2011 (Audited)
ASSETS			
Cash and bank balances		1,124,308	1,906,068
Investments:			
Investment in an associate		512,549	512,549
Available-for-sale investment	3	3,543,000	-
Mudaraba investments	4	4,768,354	6,762,469
Musharaka financing		72,946	74,392
Ijarah Muntahia Bittamleek	5	16,604,074	17,433,875
Investment properties	6	2,849,413	2,836,986
Receivables and prepayments	7	599,951	599,657
Property and equipment		<u>15,579</u>	<u>28,010</u>
Total assets		<u>30,090,174</u>	<u>30,154,006</u>
LIABILITIES AND EQUITY			
Liabilities			
Islamic financing		1,058,261	1,270,956
Other liabilities		<u>788,914</u>	<u>750,851</u>
		<u>1,847,175</u>	<u>2,021,807</u>
Equity			
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		7,921	8,314
Retained earnings		<u>2,247,287</u>	<u>2,136,094</u>
		<u>28,242,999</u>	<u>28,132,199</u>
Total liabilities and equity		<u>30,090,174</u>	<u>30,154,006</u>

The unaudited condensed interim financial information, set out on pages 4 to 13, were approved for issue by the Board of Directors on 16 May 2012 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 ended 31 March 2012
(Unaudited)
(Expressed in Bahraini Dinars)

	<u>Notes</u>	Quarter ended 31 March 2012 (Unaudited)	Quarter ended 31 March 2011 (Unaudited)
Income			
Gross Ijarah revenue		762,811	1,107,496
Less: Depreciation on Ijarah Muntahia Bittamleek	5	<u>444,272</u>	<u>619,159</u>
		318,539	488,337
Profit from Musharaka financing		1,742	5,192
Profit from Mudaraba investments		55,502	54,854
Fee income from Ijarah Muntahia Bittamleek and Musharaka financing		18,874	12,576
Rental income from investment properties		33,819	-
Realised gains on sale of investment properties		<u>-</u>	<u>54,391</u>
		<u>428,476</u>	<u>615,350</u>
Expenses			
Staff costs		93,879	117,644
Finance costs		32,501	165,930
General and administrative expenses		87,213	81,564
Depreciation of property and equipment		12,431	14,274
Depreciation on investment Properties		102	-
Allowances and provisions		<u>91,157</u>	<u>117,931</u>
		<u>317,283</u>	<u>497,343</u>
Net profit for the period		<u>111,193</u>	<u>118,007</u>
Basic and diluted earnings per share	9	<u>0.5fils</u>	<u>0.5fils</u>

Reef Real Estate Finance Co. B.S.C. (c)
Condensed interim statement of comprehensive income for the quarter ended 31 March 2012
(Unaudited)
(Expressed in Bahraini Dinars)

	Quarter Ended 31 March <u>2012</u> (Unaudited)	Quarter ended 31 March <u>2011</u> (Unaudited)
Net profit for the period	111,193	118,007
Net movement in the fair value reserve on the sale of investment properties	<u>-</u>	<u>(55,816)</u>
Total comprehensive income for the period	<u>111,193</u>	<u>62,191</u>

Reef Real Estate Finance Co. B.S.C. (c)
 Condensed interim statement of changes in equity for the quarter ended 31 March 2012
 (Unaudited)
 (Expressed in Bahraini Dinars)

	Share capital	Statutory reserve	Investment property fair value reserve	Charity reserve	Retained earnings	Total
At 31 December 2010	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	-	42,762	-	-	(42,762)	-
At 31 December 2011 (Audited)	24,042,900	866,066	1,078,825	8,314	2,136,094	28,132,199
Charity reserve movement	-	-	-	(393)	-	(393)
Total comprehensive income	-	-	-	-	111,193	111,193
At 31 March 2012 (Unaudited)	24,042,900	866,066	1,078,825	7,921	2,247,287	28,242,999

Reef Real Estate Finance Co. B.S.C. (c)
Condensed interim statement of cash flows for the quarter ended 31 March 2012
(Unaudited)
(Expressed in Bahraini Dinars)

	Notes	Quarter ended 31 March 2012	Quarter ended 31 March 2011
Operating activities			
Net profit for the period		111,193	118,007
Adjustments for:			
Depreciation on property and equipment		12,431	14,274
Depreciation on Ijarah Muntahia Bittamleek	5	444,272	619,159
Depreciation on investment properties		102	-
Profit on sale of Investment properties		-	(54,391)
Finance costs		32,501	165,930
Changes in operating assets and liabilities:			
Receivables and prepayments		(294)	45,930
Other liabilities		38,063	(15,624)
Net cash provided by operating activities		<u>638,268</u>	<u>893,285</u>
Investing activities			
Investments in Available-for-sale investments		(3,543,000)	-
Addition in investment properties		(12,529)	-
Net movement in Musharaka financing		1,446	8,643
Net movement in Ijarah Muntahia Bittamleek		385,529	969,839
Proceeds from sale of investment properties		-	143,491
Net cash (used in)/provided by investing activities		<u>(3,168,554)</u>	<u>1,121,973</u>
Financing activities			
Islamic financing repaid, net		(212,695)	41,901
Charity reserve movement		(393)	184
Finance costs paid		(32,501)	(165,930)
Net cash used in financing activities		<u>(245,589)</u>	<u>(123,845)</u>
Net (decrease)/increase in cash and cash equivalents		(2,775,875)	1,891,413
Cash and cash equivalents, beginning of the period		<u>8,668,537</u>	<u>6,341,296</u>
Cash and cash equivalents, end of the period		<u>5,892,662</u>	<u>8,232,709</u>
Comprising:			
Cash and bank balances		1,124,308	1,065,750
Mudaraba investments		4,768,354	7,166,959
		<u>5,892,662</u>	<u>8,232,709</u>

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

Selected explanatory notes to the condensed interim financial information for the quarter ended 31 March 2012

(Unaudited)

(Expressed in Bahraini Dinars)

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 5 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.

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.

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 as at statement of financial position date.

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4 Mudaraba investments

	31 March 2012 <u>(Unaudited)</u>	31 December 2011 <u>(Audited)</u>
Ithmaar Bank	4,697,777	6,691,892
Khaleeji Commercial Bank	<u>70,577</u>	<u>70,577</u>
	<u>4,768,354</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>
Cost			
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	-	430,729	430,729
Payment received/disposals during the period	<u>(390,614)</u>	<u>(1,005,705)</u>	<u>(1,396,319)</u>
At 31 March 2012	<u>6,244,489</u>	<u>17,081,445</u>	<u>23,325,934</u>
Depreciation			
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	-	(444,272)	(444,272)
Disposal during the period	<u>-</u>	<u>610,061</u>	<u>610,061</u>
At 31 March 2012	<u>-</u>	<u>(6,356,779)</u>	<u>(6,356,779)</u>
Impairment provision			
At 31 December 2010 and 31 December 2011	-	(335,081)	(335,081)
Increase in provision	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>
At 31 March 2012	<u>-</u>	<u>(365,081)</u>	<u>(365,081)</u>
Net book value			
At 31 December 2011 (Audited)	<u>6,635,103</u>	<u>10,798,772</u>	<u>17,433,875</u>
At 31 March 2012 (Unaudited)	<u>6,244,489</u>	<u>10,359,585</u>	<u>16,604,074</u>

Reef Real Estate Finance Co. B.S.C. (c)
 Selected explanatory notes to the condensed interim financial information for the quarter ended
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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 31 March 2012 have lease terms of up to 20 years.

6 Investment properties

	Investment properties for capital appreciation	Investment properties for periodical consideration	Total
<u>Cost/Revalued</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 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	(1,575,778)	1,575,778	-
Additions during the period	<u>-</u>	<u>12,529</u>	<u>12,529</u>
As at 31 March 2012	<u>443,530</u>	<u>2,406,139</u>	<u>2,849,669</u>
<u>Depreciation</u>			
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>102</u>	<u>102</u>
As at 31 March 2012	<u>-</u>	<u>256</u>	<u>256</u>
Net book value			
At 31 December 2011 (Audited)	<u>2,019,308</u>	<u>817,678</u>	<u>2,836,986</u>
At 31 March 2012 (Unaudited)	<u>443,530</u>	<u>2,405,883</u>	<u>2,849,413</u>

Included in investment properties for periodical consideration is the net book value of furniture & fixtures of BD27,380 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 for the quarter ended
 31 March 2012
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7 Receivables and prepayments

	31 March 2012 <u>(Unaudited)</u>	31 December 2011 <u>(Audited)</u>
Ijarah Muntahia Bittamleek rental receivables	859,723	762,198
Allowance for doubtful Ijarah Muntahia Bittamleek rental receivables	<u>(572,300)</u>	<u>(511,143)</u>
	287,423	251,055
Other receivables net of provision	298,804	321,771
Accrued profit on Mudaraba investments	<u>13,724</u>	<u>26,831</u>
	<u>599,951</u>	<u>599,657</u>

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

8 Share capital

	31 March 2012 <u>(Unaudited)</u>	31 December 2011 <u>(Audited)</u>
Authorised		
400,000,000 (2011: 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 (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.

9 Earnings per share

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

	Quarter ended 31 March 2012 <u></u>	Quarter ended 31 March 2011 <u></u>
Net profit attributable to the shareholders	<u>BD111,193</u>	<u>BD118,007</u>
Weighted average number of ordinary shares	<u>240,429,000</u>	<u>240,429,000</u>
Basic and diluted earnings per share	<u>0.5fils</u>	<u>0.5fils</u>

11 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:

	31 March <u>2012</u> (Unaudited)	31 December <u>2011</u> (Audited)
Amounts due from related parties	<u>676,016</u>	<u>783,556</u>

12 Interim financial information

The interim net profit for the quarter ended 31 March 2012 may not represent a proportionate share of the annual net income due to the variability in the receipt of income.