

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

Condensed interim financial  
information for the three months  
ended 31 March 2013  
(Unaudited)

**Reef Real Estate Finance Co. B.S.C. (c)**  
**Financial information for the three months ended 31 March 2013**

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**Reef Real Estate Finance Co. B.S.C. (c)**  
**Administration and contact details as at 31 March 2013**

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<b>Commercial registration no.</b>	58073 obtained on 10 September 2005	
<b>CBB license</b>	FC/001 obtained on 3 May 2005	
<b>Board of Directors</b>	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	(Chairman) (Vice-Chairman)
<b>Chief Executive Officer</b>	Mr Mahmood Al Koofi	
<b>Executive Committee</b>	Mr Faisal Al Matrook Mr Saud Kanoo Mr Nasser Abdulhadi Al Gharibah	(Chairman)
<b>Audit Committee</b>	Mr Samer Abbouchi Mr Mohammed Al Dosari Mr. Mohamed A.Khaliq	(Chairman)
<b>Sharia'a Supervisory Advisor</b>	Shaikh Dr. Osama Bahar	
<b>Registered office</b>	Building 483, Road 1010 Block 410 PO Box 18599 Manama Kingdom of Bahrain	
<b>Bankers</b>	Ithmaar Bank Ahli United Bank Kuwait Finance House Al Baraka Islamic Bank Khaleeji Commercial Bank	
<b>Auditors</b>	BDO 17 <sup>th</sup> Floor Diplomat Commercial Office Tower 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 2013, the condensed interim statement of profit or loss and other comprehensive income, the condensed interim statement of changes in equity, the condensed interim statement of cash flows for the three 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 31 March 2013, and of its financial performance and its cash flows for the three 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.

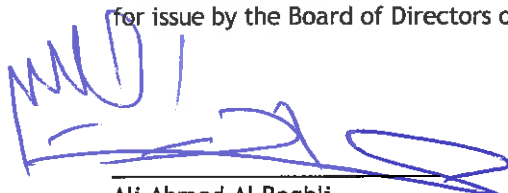


Manama, Kingdom of Bahrain  
14 May 2013

Reef Real Estate Finance Co. B.S.C. (c)  
Condensed interim statement of financial position as at 31 March 2013  
(Unaudited)  
(Expressed in Bahraini Dinars)

	Notes	31 March 2013 (Unaudited)	31 December 2012 (Audited)
<b>ASSETS</b>			
Cash and bank balances		609,960	559,012
Investments:			
Investment in an associate		512,139	512,139
Available-for-sale investment	3	3,543,000	3,543,000
Mudaraba investments	4	8,272,597	7,484,905
Musharaka financing		66,863	68,455
Ijarah Muntahia Bittamleek	5	11,410,879	12,191,047
Investment properties	6	3,238,820	3,359,401
Receivables and prepayments	7	569,789	651,615
Property and equipment		<u>30,155</u>	<u>33,282</u>
<b>Total assets</b>		<b><u>28,254,202</u></b>	<b><u>28,402,856</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Islamic financing		208,502	421,156
Other liabilities		<u>644,837</u>	<u>623,394</u>
		<u>853,339</u>	<u>1,044,550</u>
<b>Equity</b>			
Share capital	8	24,042,900	24,042,900
Statutory reserve		908,652	908,652
Investment property fair value reserve		1,078,825	1,078,825
Charity reserve		9,233	10,704
Retained earnings		<u>1,361,253</u>	<u>1,317,225</u>
		<u>27,400,863</u>	<u>27,358,306</u>
<b>Total liabilities and equity</b>		<b><u>28,254,202</u></b>	<b><u>28,402,856</u></b>

The unaudited condensed interim financial information, set out on pages 4 to 14, were approved for issue by the Board of Directors on 14 May 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)  
Condensed interim statement of profit or loss and other comprehensive income  
for the three months ended 31 March 2013  
(Unaudited)  
(Expressed in Bahraini Dinars)

	<u>Notes</u>	Three months ended 31 March 2013 <u>(Unaudited)</u>	Three months ended 31 March 2012 <u>(Unaudited)</u>
<b>Income</b>			
Gross Ijarah revenue		524,225	762,811
Less: Depreciation on Ijarah Muntahia Bittamleek	5	<u>307,727</u>	<u>444,272</u>
		216,498	318,539
Profit from Musharaka financing		1,598	1,742
Profit from Mudaraba investments		55,258	55,502
Fee income from Ijarah Muntahia Bittamleek and Musharaka financing		8,727	18,874
Rental income from investment properties		<u>34,500</u>	<u>33,819</u>
		<u>316,581</u>	<u>428,476</u>
<b>Expenses</b>			
Staff costs		99,226	93,879
Finance costs		14,254	32,501
General and administrative expenses		88,392	87,213
Depreciation of property and equipment		4,957	12,431
Depreciation on investment Properties		133	102
Allowances and provisions		<u>65,591</u>	<u>91,157</u>
		<u>272,553</u>	<u>317,283</u>
<b>Total comprehensive income and net profit for the period</b>		<u>44,028</u>	<u>111,193</u>
<b>Basic and diluted earnings per share</b>	9	<u>fiIs0.2</u>	<u>fiIs0.5</u>

Reef Real Estate Finance Co. B.S.C. (c)  
 Condensed interim statement of changes in equity for the three months ended 31 March 2013  
 (Unaudited)  
 (Expressed in Bahraini Dinars)

	Share capital	Statutory reserve	Investment property 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
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
At 31 December 2012 (Audited)	24,042,900	908,652	1,078,825	10,704	1,317,225	27,358,306
Charity reserve movement	-	-	-	(1,471)	-	(1,471)
Total comprehensive income	-	-	-	-	44,028	44,028
At 31 March 2013 (Unaudited)	24,042,900	908,652	1,078,825	9,233	1,361,253	27,400,863

Reef Real Estate Finance Co. B.S.C. (c)  
Condensed interim statement of cash flows for the three months ended 31 March 2013  
(Unaudited)  
(Expressed in Bahraini Dinars)

	Notes	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2012 (Unaudited)
<b>Operating activities</b>			
Net profit for the period		44,028	111,193
Adjustments for:			
Depreciation on property and equipment		4,957	12,431
Depreciation on Ijarah Muntahia Bittamleek	5	307,727	444,272
Depreciation on investment properties		133	102
Finance costs		14,254	32,501
Changes in operating assets and liabilities:			
Receivables and prepayments		92,273	(294)
Other liabilities		<u>21,444</u>	<u>38,063</u>
Net cash provided by operating activities		<u>484,816</u>	<u>638,268</u>
<b>Investing activities</b>			
Investments in available-for-sale investments		-	(3,543,000)
Purchase of property and equipment		(1,830)	-
Addition in investment properties		-	(12,529)
Net Movement in Mudaraba investments		(787,692)	1,994,115
Net movement in Musharaka financing		1,592	1,446
Net movement in Ijarah Muntahia Bittamleek		472,441	385,529
Proceeds from sale of investment properties		<u>110,000</u>	<u>-</u>
Net cash used in investing activities		<u>(205,489)</u>	<u>(1,174,439)</u>
<b>Financing activities</b>			
Islamic financing repaid, net		(212,654)	(212,695)
Charity reserve movement		(1,471)	(393)
Finance costs paid		<u>(14,254)</u>	<u>(32,501)</u>
Net cash used in financing activities		<u>(228,379)</u>	<u>(245,589)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		50,948	(781,760)
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>609,960</u>	<u>1,124,308</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 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 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

## 2 Basis of preparation (continued)

### *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 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.

### *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 Company'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 Company'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.

Reef Real Estate Finance Co. B.S.C. (c)  
 Selected explanatory notes to the condensed interim financial information for the three months  
 ended 31 March 2013  
 (Unaudited)  
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**2 Basis of preparation (continued)**

***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 Company'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 Company for the period ended 31 March 2013 had the Company early adopted any of the above standards applicable to the Company.

***Early adoption of amendments or standards in 2013***

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

**3 Available-for-sale investment**

During the year 2012, the Company 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"). As at 31 March 2013 this investment is valued at cost, which is tested for impairment using information on the project returns. The management believes that the current market value of the project shows that no impairment has occurred.

**4 Mudaraba investments**

	<u>31 March 2013</u> (Unaudited)	<u>31 December 2012</u> (Audited)
Ithmaar Bank	3,428,833	3,396,761
Ahli United Bank	1,524,952	1,516,619
Kuwait Finance House	-	1,502,713
BMI bank	1,500,000	-
Al-Baraka Islamic Bank	1,750,000	1,000,000
Khaleeji Commercial Bank	<u>68,812</u>	<u>68,812</u>
	<b><u>8,272,597</u></b>	<b><u>7,484,905</u></b>

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 three months  
 ended 31 March 2013  
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5 Ijarah Muntahia Bittamleek

Cost	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
At 31 December 2011	6,635,103	17,656,421	24,291,524
Additions during the year	599,515	661,935	1,261,450
Transferred to receivables (Note 7)	-	(350,000)	(350,000)
Payment received/disposals during the year	<u>(2,554,190)</u>	<u>(3,766,666)</u>	<u>(6,320,856)</u>
At 31 December 2012	4,680,428	14,201,690	18,882,118
Additions during the period	-	91,906	91,906
Payment received/disposals during the period	<u>(79,725)</u>	<u>(997,804)</u>	<u>(1,077,529)</u>
At 31 March 2013	<u>4,600,703</u>	<u>13,295,792</u>	<u>17,896,495</u>
<b>Depreciation</b>			
At 31 December 2011	-	(6,522,568)	(6,522,568)
Charged for the year	-	(1,621,052)	(1,621,052)
Transferred to receivables (Note 7)	-	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 year	-	(307,727)	(307,727)
Disposal during the period	<u>-</u>	<u>543,182</u>	<u>543,182</u>
At 31 March 2013	<u>-</u>	<u>(6,142,415)</u>	<u>(6,142,415)</u>
<b>Impairment provision</b>			
At 31 December 2011	-	(335,081)	(335,081)
Transferred to receivables (Note 7)	-	141,880	141,880
Increase in provision	<u>-</u>	<u>(120,000)</u>	<u>(120,000)</u>
At 31 December 2012	-	(313,201)	(313,201)
Increase in provision	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>
At 31 March 2013	<u>-</u>	<u>(343,201)</u>	<u>(343,201)</u>
<b>Net book value</b>			
At 31 March 2013 (unaudited)	<u>4,600,703</u>	<u>6,810,176</u>	<u>11,410,879</u>
At 31 December 2012 (audited)	<u>4,680,428</u>	<u>7,510,619</u>	<u>12,191,047</u>

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

Selected explanatory notes to the condensed interim financial information for the three months ended 31 March 2013

(Unaudited)

(Expressed in Bahraini Dinars)

**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 2013 have lease terms of up to 20 years.

**6 Investment properties**

	<u>Investment properties for capital appreciation</u>	<u>Investment properties for periodical consideration</u>	<u>Total</u>
<b>Cost/Revalued</b>			
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
Disposal during the period	<u>(120,448)</u>	<u>-</u>	<u>(120,448)</u>
As at 31 March 2013	<u>381,849</u>	<u>2,857,760</u>	<u>3,239,609</u>
<b>Depreciation</b>			
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>133</u>	<u>133</u>
As at 31 March 2013	<u>-</u>	<u>789</u>	<u>789</u>
<b>Net book value</b>			
At 31 December 2012 (audited)	<u>502,297</u>	<u>2,857,104</u>	<u>3,359,401</u>
At 31 March 2013 (unaudited)	<u>381,849</u>	<u>2,856,971</u>	<u>3,238,820</u>

Included in investment properties for periodical consideration is the net book value of furniture & fixtures of BD 31,160(2012:31,293) 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 three months  
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**7 Receivables and prepayments**

	<u>31 March 2013</u>	<u>31 December 2012</u>
Ijarah Muntahia Bittamleek rental receivables	912,755	904,019
Allowance for doubtful Ijarah Muntahia Bittamleek rental receivables	(629,183)	(593,592)
Other receivables	622,547	681,156
Allowance for other receivables	(384,173)	(384,173)
Accrued profit on Mudaraba investments	<u>47,843</u>	<u>44,205</u>
	<u><u>569,789</u></u>	<u><u>651,615</u></u>

Other receivable includes an asset of BD384,173(2012:384,173) which are considered to be doubtful and has been fully provided.

**8 Share capital**

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

**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.

	<u>Three months ended 31 March 2013</u> (Unaudited)	<u>Three months ended 31 March 2012</u> (Unaudited)
Net profit attributable to the shareholders	<u>BD44,028</u>	<u>BD111,193</u>
Weighted average number of ordinary shares	<u>240,429,000</u>	<u>240,429,000</u>
Basic and diluted earnings per share	<u><u>fils0.2</u></u>	<u><u>fils0.5</u></u>

Reef Real Estate Finance Co. B.S.C. (c)  
Selected explanatory notes to the condensed interim financial information for the three months  
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**10 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:

	<u>Related party relationship</u>	<u>31 March 2013</u> (Unaudited)	<u>31 December 2012</u> (Audited)
Amounts due from related parties	Shareholder's and immediate family members	<u>267,524</u>	<u>299,613</u>

**11 Interim financial information**

The interim net profit for the three months ended 31 March 2013 may not represent a proportionate share of the annual net income due to the variability in the receipt of income.

**12 Subsequent events**

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) will hold 99.9% of the Company. The legal formalities relating to transfer is in progress with relevant ministry.