

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

Consolidated condensed interim
financial information for the quarter and
the nine months ended
30 September 2017
(Unaudited)

Reef Real Estate Finance Co. B.S.C. (c)
Financial information for the quarter and the nine months ended 30 September 2017

Index	Page
1. Administration and contact details	2
2. Review report by the independent auditor	3
3. Consolidated condensed interim statement of financial position	4
4. Consolidated condensed interim statement of income	5
5. Consolidated condensed interim statement of changes in Owners' equity	6
6. Consolidated condensed interim statement of cash flows	7
7. Selected explanatory notes to the condensed interim financial information	8 - 17

Reef Real Estate Finance Co. B.S.C. (c)
Administration and contact details as at 30 September 2017

Commercial registration no.	58073 obtained on 10 September 2005	
CBB license	FC/001 obtained on 5 May 2005	
Board of Directors	Mr Ali Ahmed Al Baghli Mr Saud Kanoo Mr Faisal Al Matrook Mr Nasser Abdulhadi Al Gharibah Mr Waleed Al Khaja Mr Yaser Al Jar Mr Samer Abbouchi (Till May 2017)	- (Chairman) - (Vice-Chairman)
Chief Executive Officer	Mr Hasan Dhaif	
Executive Committee	Mr Faisal Al Matrook Mr Nasser Abdulhadi Al Gharibah Mr Samer Abbouchi (Till May 2017)	- (Chairman)
Nomination and Remuneration Committee	Mr Ali Ahmed Al Baghli Mr Faisal Al Matrook Mr Saud Kanoo	- (Chairman)
Audit and Corporate Governance Committee	Mr Saud Kanoo Mr Waleed Al Khaja Mr Yaser Al Jar	- (Chairman)
Sharia'a Supervisory Advisor	Shaikh Dr. Osama Bahar	
Registered office	Kanoo Tower Flat 114, Building 155 Road 1703, Block 317 PO Box 18599 Diplomatic Area, Manama Kingdom of Bahrain	
Bankers	Ithmaar Bank Ahli United Bank Kuwait Finance House Khaleeji Commercial Bank BMI Bank Al Salam Bank Bahrain Islamic Bank	
Auditors	BDO 17 th 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 consolidated condensed interim statement of financial position of Reef Real Estate Finance B.S.C. (c) ("the Company") and its subsidiaries (collectively referred as "the Group"), as at 30 September 2017, the consolidated condensed interim statement of income, the consolidated condensed interim statement of changes in Owners' equity, the consolidated condensed interim statement of cash flows for the quarter and nine months period 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 2017, and of its financial performance and its cash flows for the quarter and nine months period 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
2 November 2017

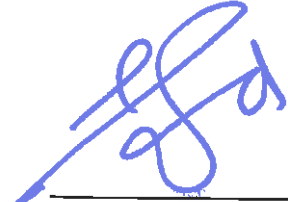


Reef Real Estate Finance Co. B.S.C. (c)
 Consolidated condensed interim statement of financial position as at 30 September 2017
 (Unaudited)
 (Expressed in Bahrain Dinars)

	<u>Notes</u>	<u>30 September 2017 (Unaudited)</u>	<u>31 December 2016 (Audited)</u>
ASSETS			
Cash and cash equivalents	3	5,965,390	7,430,437
Investment securities	4	16,436,539	14,635,962
Ijarah Muntahia Bittamleek	6	1,146,098	1,447,308
Properties-under-development		423,378	414,480
Investment in real estate	7	2,132,784	2,593,468
Receivables and prepayments	8	350,218	248,454
Property and equipment		<u>9,566</u>	<u>15,244</u>
Total assets		<u>26,463,973</u>	<u>26,785,353</u>
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Other liabilities		<u>346,980</u>	<u>476,278</u>
Owners' Equity			
Share capital	9	24,042,900	24,042,900
Treasury shares	9	(1,202,145)	(1,202,145)
Statutory reserve		1,332,524	1,332,524
Properties fair value reserve		813,840	989,463
Foreign currency translation reserve		(512,481)	(1,127,635)
Retained earnings		<u>1,642,355</u>	<u>2,273,968</u>
		<u>26,116,993</u>	<u>26,309,075</u>
Total liabilities and Owners' equity		<u>26,463,973</u>	<u>26,785,353</u>

The unaudited condensed interim financial information, set out on pages 4 to 17, approved and authorised for issue by the Board of Directors on 2 November 2017 and signed on their behalf by:

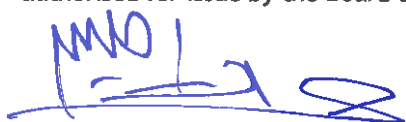

 Ali Ahmed Al Baghli
 Chairman


 Saud Kanoo
 Vice Chairman

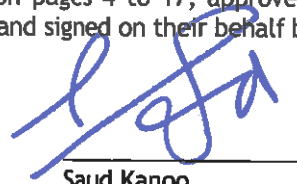
Reef Real Estate Finance Co. B.S.C. (c)
Consolidated condensed interim statement of income for the quarter and the nine months ended
30 September 2017
(Unaudited)
(Expressed in Bahrain Dinars)

	Notes	Nine months ended 30 September 2017 (Unaudited)	Nine months ended 30 September 2016 (Unaudited)	Quarter ended 30 September 2017 (Unaudited)	Quarter ended 30 September 2016 (Unaudited)
Income					
Gross Ijarah income		352,281	498,442	123,150	157,696
Less: Depreciation on Ijarah Muntahia Bittamleek	6	<u>200,715</u>	<u>267,772</u>	<u>64,590</u>	<u>82,343</u>
		151,566	230,670	58,560	75,353
Income from investment securities		383,884	326,511	145,106	109,493
Profit from Murabaha financing		-	344,501	-	9,462
Net rental income from investment in real estate		59,887	57,218	19,098	18,179
Profit from Mudaraba investments		87,274	24,497	32,539	7,219
Net (loss)/gain on sale of investment in securities		(5,852)	2,076,749	-	1,665,911
Fees from financing activities		4,162	3,261	896	2,375
Net gain on sale of investment in real estate investment		102,453	119,286	-	-
Net foreign exchange gain/(loss)		165,624	(256,315)	54,414	(59,777)
Allowance no longer required for Ijarah Muntahia Bittamleek rental receivables and Murabaha financing		-	<u>225,428</u>	-	-
		<u>948,998</u>	<u>3,151,806</u>	<u>310,613</u>	<u>1,828,215</u>
Expenses					
Staff costs		167,883	282,987	52,271	83,653
General and administrative expenses		204,937	217,017	37,752	80,059
Depreciation of property and equipment		7,079	18,275	1,824	5,699
Depreciation on investment in real estate	7	733	3,740	140	716
Investment fees and charges		3,638	2,404	1,242	2,404
Allowances and provisions		-	4,027	-	2,158
Unrealised fair value loss on revaluation of investment securities, net		<u>54,303</u>	<u>42,226</u>	<u>22,591</u>	<u>17,713</u>
		<u>438,573</u>	<u>570,676</u>	<u>115,820</u>	<u>192,402</u>
Net profit for the period		<u>510,425</u>	<u>2,581,130</u>	<u>194,793</u>	<u>1,635,813</u>
Basic and diluted earnings per share	10	<u>Fils 2.23</u>	<u>Fils 11.30</u>	<u>Fils 0.85</u>	<u>Fils 7.16</u>

The unaudited condensed interim financial information, set out on pages 4 to 17, approved and authorised for issue by the Board of Directors on 2 November 2017 and signed on their behalf by:



Ali Ahmed Al Baghli
Chairman



Saud Kanoo
Vice Chairman

Reef Real Estate Finance Co. B.S.C. (c)
 Consolidated condensed interim statement of changes in Owners' equity for the quarter and the nine months ended 30 September 2017
 (Unaudited)
 (Expressed in Bahrain Dinars)

	Share capital	Treasury shares	Statutory reserve	Properties fair value reserve	Charity reserve	Foreign currency translation reserve	Retained earnings	Total
At 31 December 2015 (Audited)	24,042,900	(1,202,145)	1,211,983	989,463	97	-	2,331,141	27,373,439
Dividend paid for the year 2015	-	-	-	-	-	-	(1,142,038)	(1,142,038)
Charity reserve movement	-	-	-	-	(97)	-	-	(97)
Foreign currency translation	-	-	-	-	-	(970,517)	-	(970,517)
Net profit for the period	-	-	-	-	-	-	2,581,130	2,581,130
At 30 September 2016 (Unaudited)	<u>24,042,900</u>	<u>(1,202,145)</u>	<u>1,211,983</u>	<u>989,463</u>	-	<u>(970,517)</u>	<u>3,770,233</u>	<u>27,841,917</u>
At 31 December 2016 (Audited)	24,042,900	(1,202,145)	1,332,524	989,463	-	(1,127,635)	2,273,968	26,309,075
Dividend paid for the year 2016 (Note 12)	-	-	-	-	-	-	(1,142,038)	(1,142,038)
Net profit for the period	-	-	-	-	-	-	510,425	510,425
Net movement in properties fair value reserve on the sale of investment in real estate	-	-	-	(175,623)	-	-	-	(175,623)
Foreign currency translation	-	-	-	-	-	615,154	-	615,154
At 30 September 2017 (Unaudited)	<u>24,042,900</u>	<u>(1,202,145)</u>	<u>1,332,524</u>	<u>813,840</u>	-	<u>(512,481)</u>	<u>1,642,355</u>	<u>26,116,993</u>

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

Consolidated condensed interim statement of cash flows for the quarter and the nine months ended

30 September 2017

(Unaudited)

(Expressed in Bahrain Dinars)

	Notes	Nine months ended 30 September 2017 (Unaudited)	Nine months ended 30 September 2016 (Unaudited)
Operating activities			
Net profit for the period		510,425	2,581,130
Adjustments for:			
Depreciation on property and equipment		7,079	18,275
Depreciation on ijarah muntahia bittamleek	6	200,715	267,772
Depreciation on investment in real estate	7	733	3,740
Unrealised fair value loss on investment securities	4	54,303	42,226
Loss/ (gain) on sale of investment securities		5,852	(2,076,749)
Foreign exchange (gain)/loss on translation of investment in securities		(655,116)	1,044,787
Realised gain on sale of investment in real estate		(102,453)	(119,286)
Changes in operating assets and liabilities:			
Receivables and prepayments		(101,764)	315,826
Other liabilities		(129,298)	(93,790)
Net cash (used in)/ provided by operating activities		<u>(209,524)</u>	<u>1,983,931</u>
Investing activities			
Net movement in murabaha financing		-	4,439,397
Net movement in properties-under-development		(8,898)	(501)
Purchase of property and equipment		(1,400)	(2,655)
Additions in investment securities	4	(1,411,827)	(6,674,354)
Additions in investment in real estate		-	(100,428)
Net movement in ijarah muntahia bittamleek		100,495	356,961
Net movement in the foreign currency translation reserve		615,154	(970,517)
Proceeds from sale of investment securities		206,210	2,405,960
Proceeds from sale of plant and equipment		-	427
Proceeds from sale of investment in real estate		<u>386,781</u>	<u>219,714</u>
Net cash used in investing activities		<u>(113,485)</u>	<u>(325,996)</u>
Financing activities			
Charity reserve movement		-	(97)
Dividend paid during the year	12	(1,142,038)	(1,142,038)
Net cash used in financing activities		<u>(1,142,038)</u>	<u>(1,142,135)</u>
Net (decrease)/increase in cash and cash equivalents		(1,465,047)	515,800
Cash and cash equivalents, beginning of the period		<u>7,430,437</u>	<u>5,272,724</u>
Cash and cash equivalents, end of the period		<u>5,965,390</u>	<u>5,788,524</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; and
- buying and selling of properties, developing residential and commercial land, building residential and commercial units with the intent of their subsequent sale or lease.

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 shareholders of the Company have decided in their last Annual General Meeting held on 18 May 2017 to de-license its financing activities under Central Bank of Bahrain regulations. In order to facilitate the de-regulating process, the Company had to either run off the Ijara book or sell it off. The board has decided to opt for the latter and identified a local bank who has agreed to take over majority of the Ijara book of the Company (agreement dated 24 September 2017), whereas a relatively smaller remaining portfolio will be settled with the counterparties themselves. Once the regulated Ijara business is successfully novated and the remaining assets are settled the Company will formally apply for de-licencing with the regulators. This sale agreement does not impact the book value of the recorded Ijara assets.

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 issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (‘AAOIFI’), the Shari’a Rules and Principles as determined by the Shari’a Supervisory Advisor of the Group, the Bahrain Commercial Companies Law, the Central Bank of Bahrain, Financial Institutions Law and the CBB Rule Book (Volume 5 and applicable provision of Volume 2) and CBB directives, regulations and associated resolutions, rules and procedures of the Company’s memorandum and articles of association in accordance with the requirements of AAOIFI. For matters for which no AAOIFI standard exists, the Group uses the relevant International Financial Reporting Standards (‘the IFRS’) issued by International Accounting Standards Board.

Therefore, in the absence of relevant standards in AAOIFI relating interim financial statements, the guidance from International Accounting Standard 34 - “Interim Financial Reporting” is used in preparation of these interim condensed consolidated financial information for the quarter and nine months period ended 30 September 2017. The condensed interim financial information should therefore be read in conjunction with the annual audited financial statements of the Group for the year ended 31 December 2016.

These financial statements have been prepared using going concern assumption under the historical cost convention, modified by the valuation of investment in real estate and investment securities which are measured at their fair values.

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

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 2017
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2 Basis of preparation (continued)

The structure of the Group is as follows:

Subsidiaries

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Effective ownership interest 2017</u>	<u>Effective ownership interest 2016</u>
First Reef B.S.C. (c)	Kingdom of Bahrain	Real estate activities with own or leased property	99.9%	99.9%
Reef Investment UK B.S.C (c)	Kingdom of Bahrain	Trust, funds and similar financial entities - Special Purpose Vehicle (SPV), selling and buying of securities	99.9%	99.9%

3 Cash and cash equivalents

	<u>30 September 2017</u> (Unaudited)	<u>31 December 2016</u> (Audited)
Current account balances with banks*	550,876	2,138,825
Mudaraba investments**	5,414,014	5,291,112
Cash on hand	<u>500</u>	<u>500</u>
	<u>5,965,390</u>	<u>7,430,437</u>

* The current account balances with banks are non-profit bearing.

** Mudaraba investments represent amounts placed with financial institutions, which have maturity periods up to 90 days, and earn market rates of profit receivable on maturity.

4 Investment securities

	<u>For the period ended 30 September 2017</u> (Unaudited)	<u>For the year ended 31 December 2016</u> (Audited)
Opening balance	14,635,962	12,228,591
Additions	1,411,827	6,674,354
Disposals	(212,063)	(1,767,112)
Foreign exchange gain/(loss) on translation of investment securities through statement of income	39,962	(328,220)
Foreign exchange gain/(loss) on translation of investment securities through equity	615,154	(1,127,635)
Unrealised fair value loss for the period/year	<u>(54,303)</u>	<u>(1,044,016)</u>
	<u>16,436,539</u>	<u>14,635,962</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 2017
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4 Investment securities (continued)

		30 September 2017 <u>(Unaudited)</u>	31 December 2016 <u>(Audited)</u>
Investment in equity-type instruments - Unquoted			
<i>Private investments</i>		12,009,771	10,154,891
Investment in debt-type instruments- Quoted		<u>4,426,768</u>	<u>4,481,071</u>
		<u>16,436,539</u>	<u>14,635,962</u>
 <i>Investment - securities-wise analysis:</i>			
		30 September 2017 <u>(Unaudited)</u>	31 December 2016 <u>(Audited)</u>
<i>Equity-type instruments carried at fair value through statement of income</i>			
Manazel Qurtoba 2 Fund	(a)	1,008,713	1,008,713
Jenina Real Estate Development Co. Ltd	(b)	1,508,053	1,508,053
Global Greenridge Fareham Limited (NATS)	(c)	505,029	465,067
SICO Kingdom Equity Fund	(d)	-	212,063
Difaaf Development Limited	(e)	1,003,706	1,003,706
 <i>Equity type instruments carried at fair value through equity</i>			
APL PH1 Limited	(f)	1,875,823	1,727,392
Global Greenridge Bracknell Limited (3M)	(g)	1,515,087	1,395,202
APL 2B Limited	(h)	3,078,273	2,834,695
Global Greenridge Finco Limited (Manchester) (Stockport & Bury)	(i)	<u>1,515,087</u>	<u>-</u>
		12,009,771	10,154,891
 <i>Debt-type instruments carried at fair value through statement of income</i>			
CBB sukuk	(j)	<u>4,426,768</u>	<u>4,481,071</u>
		<u>16,436,539</u>	<u>14,635,962</u>

- (a) During the year 2013, the Group has invested BD1,008,713 in acquiring shares in Manazel Qurtoba 2 fund, floated by MEFIC Capital in Kingdom of Saudi Arabia. The main objective of this fund is to develop a property in Northern Riyadh, Kingdom of Saudi Arabia.
- (b) During the year 2014, the Group has invested BD1,508,053 in Sky palaces project, Business Bay Dubai through an SPV "Jenina Real Estate Development Co. Ltd".
- (c) During the year 2015, the Group has invested GBP1,000,000 in Global Greenridge Fareham Limited (NATS project) in United Kingdom. The main objective of fund is capital appreciation and rental yield from NATS (National Air Traffic Services Project).
- (d) During the year 2015, the Group has invested BD250,000 in SICO for capital appreciation through investing in equity securities listed in the Saudi Exchange market and the GCC. During the period, the Group has redeemed the investment in SICO.

Reef Real Estate Finance Co. B.S.C. (c)
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4 Investment securities (continued)

- (e) During the year 2015, the Group has invested BD2,003,706 in Difaaf Development Limited project, Bahrain through Venture Capital Bank. The objective of the Company is to develop a property in Reef Islands, Kingdom of Bahrain. The Group has fair valued the investment in the year 2016 and recorded net loss of BD1,000,000 in the condensed consolidated statement of income.
- (f) During the year 2015, the Group has invested BD2,076,484 in acquiring the shares in APL PH1 Limited. The objective of the Company is to develop a property in the United Kingdom.
- (g) During the year 2016, the Group has invested GBP3,000,000 in Global Greenridge Bracknell Limited (Jersey Fin Co.) ("SPV") - 3M Bracknell project, United Kingdom. The main objective of fund is capital appreciation and rental yield.
- (h) During the year 2016, the Group has invested BD3,389,978 in acquiring the shares in APL 2B Limited. The objective of the Company is to develop a property in United Kingdom.
- (i) During the year 2017, the Group has invested GBP3,000,000 in acquiring shares in Global Greenridge Finco Limited (Manchester) (Stockport & Bury), United Kingdom. The main objective of fund is capital appreciation and rental yield.
- (j) During 2015, the Group has invested BD1,500,000 in acquiring units Government Islamic Leasing Sukuk-Issue 22 (GILS22.SUK) due in 2025. Further, the Group also have investment in "CBB international Sukuk" floated by the Central Bank of Bahrain amounted to BD2,859,268/- (2016: BD2,913,571). These units are listed. The Group has fair valued the Sukuks at 30 September 2017 and recorded net loss of BD54,303/- (2016: BD42,226) in the condensed consolidated statement of income.

Unquoted equity securities at fair value through statement of income comprise investments in closed companies, companies managed by external investment managers or represent investments in projects. The management calculates fair values of these investments using various sources of information including investment managers' reports and audited financial statements, wherever available.

Although all of these investments have shown improvement in fair values due to various reasons such as expected project completion timeline and exits strategy, market liquidity, lock-in periods, and availability of ready buyer the management has considered cost to be the best proximity of the fair value. Management will continue reassessing the fair values of these unquoted investments at each reporting date.

Investment securities are denominated in the following currencies:

Currency	30 September 2017 (Unaudited)	31 December 2016 (Audited)
Great Britain Pounds	8,489,299	6,422,356
United States Dollars	3,862,974	4,129,340
Saudi Riyals	1,008,713	1,008,713
Arab Emirates Dirhams	1,508,053	1,508,053
Bahrain Dinars	1,567,500	1,567,500
	<u>16,436,539</u>	<u>14,635,962</u>

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5 Murabaha financing

		30 September 2017 <u>(Unaudited)</u>	31 December 2016 <u>(Audited)</u>
Amwaj Property Limited (APL)	(a)	-	-
Amwaj Property Limited (APL) - Mezzanine 2	(b)	-	-
Omnayat Properties Six Limited	(c)	-	-
General provision for the year*		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>

* General provision represents 5% of the Murabaha Financing.

The movement in general provision is as follows:

	30 September 2017 <u>(Unaudited)</u>	31 December 2016 <u>(Audited)</u>
Opening balance	-	233,652
Transferred from Ijarah Muntahia Bittamleek and Musharaka	-	(108,652)
Provision written-back	<u>-</u>	<u>(125,000)</u>
Closing balance	<u>-</u>	<u>-</u>

- a) During the year 2016, the Amwaj Property Limited (APL) has fully repaid the facility with profit amounting to BD2,459,334 and BD190,597 respectively.
- b) During the year 2016, the Amwaj Property Limited (APL) has fully repaid the facility and the profit up to 8 June 2016 amounting to BD1,173,247 and BD83,122 respectively.
- c) During the year 2016, the Omniyat Properties has repaid the facility with profit amounting to BD1,028,075 and BD70,782 respectively.

Reef Real Estate Finance Co. B.S.C. (c)
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6 Ijarah Muntahia Bittamleek

	<u>Lands</u>	<u>Buildings</u>	<u>Total</u>
Cost			
At 31 December 2015 (Audited)	618,210	7,180,361	7,798,571
Additions*	-	6,930	6,930
Payment received/disposals	<u>(210,643)</u>	<u>(510,487)</u>	<u>(721,130)</u>
At December 2016 (Audited)	407,567	6,676,804	7,084,371
Additions*	-	169,607	169,607
Transferred to receivables and prepayments (Note 8)	(219,200)	-	(219,200)
Payment received	<u>(21,611)</u>	<u>(347,524)</u>	<u>(369,135)</u>
At 30 September 2017 (Unaudited)	<u>166,756</u>	<u>6,498,887</u>	<u>6,665,643</u>
Depreciation			
At 31 December 2015 (Audited)	-	(5,403,602)	(5,403,602)
Charged for the year	-	(343,523)	(343,523)
Disposals	<u>-</u>	<u>338,334</u>	<u>338,334</u>
At 31 December 2016 (Audited)	-	(5,408,791)	(5,408,791)
Charged for the period	-	(200,715)	(200,715)
Disposals	<u>-</u>	<u>162,110</u>	<u>162,110</u>
At 30 September 2017 (Unaudited)	<u>-</u>	<u>(5,447,396)</u>	<u>(5,447,396)</u>
General provision**			
At 31 December 2015 (Audited)	-	119,620	119,620
General provision transferred from Murabaha financing	<u>-</u>	<u>108,652</u>	<u>108,652</u>
At 31 December 2016 (Audited)	-	228,272	228,272
General provision transferred to receivables and prepayments (Note 8)	<u>-</u>	<u>(156,123)</u>	<u>(156,123)</u>
As at 30 September 2017 (Unaudited)	<u>-</u>	<u>72,149</u>	<u>72,149</u>
Net book value			
At 30 September 2017 (Unaudited)	<u>166,756</u>	<u>979,342</u>	<u>1,146,098</u>
At 31 December 2016 (Audited)	<u>407,567</u>	<u>1,039,741</u>	<u>1,447,308</u>

* Additions relate to rescheduling of financing deals. During 2017, the Company has entered in to two new financing deals, one financing deal was rescheduled (2016: one financing deal was rescheduled) and three deals were early settled.

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 2017 have lease terms of up to 16 years.

** General provision represents 5.9% (2016: 14%) of total Ijarah Muntahia Bittamleek portfolio.

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 2017
 (Unaudited)
 (Expressed in Bahrain Dinars)

7 Investment in real estate

	<u>Investment properties for capital appreciation</u>	<u>Investment properties for periodical consideration</u>	<u>Total</u>
Cost/Revalued			
As at 31 December 2015	-	2,622,736	2,622,736
Additions	100,428	340	100,768
Disposals	<u>(100,428)</u>	<u>-</u>	<u>(100,428)</u>
As at 31 December 2016	-	2,623,076	2,623,076
Disposals	<u>-</u>	<u>(464,204)</u>	<u>(464,204)</u>
As at 30 September 2017	<u>-</u>	<u>2,158,872</u>	<u>2,158,872</u>
Depreciation			
As at 31 December 2015	-	25,164	25,164
Charge for the year	<u>-</u>	<u>4,444</u>	<u>4,444</u>
As at 31 December 2016	-	29,608	29,608
Charge for the period	<u>-</u>	<u>733</u>	<u>733</u>
On disposal	<u>-</u>	<u>(4,253)</u>	<u>(4,253)</u>
As at 30 September 2017	<u>-</u>	<u>26,088</u>	<u>26,088</u>
Net book value			
At 30 September 2017	<u>-</u>	<u>2,132,784</u>	<u>2,132,784</u>
At 31 December 2016	<u>-</u>	<u>2,593,468</u>	<u>2,593,468</u>

Included in investment properties for periodical consideration is the net book value of furniture and fixtures of BD774 (2016: BD1,601) which is depreciated over their useful lives.

During the period, the net earned including accrued periodical consideration on investment in real estate amounted to BD59,887 (2016: BD57,218).

	For the period ended 30 September <u>2017</u>	For the period ended 30 September <u>2016</u>	For the quarter ended 30 September <u>2017</u>	For the quarter ended 30 September <u>2016</u>
Rental income	83,572	109,508	27,702	37,329
Maintenance and electricity expenses	<u>(23,685)</u>	<u>(52,290)</u>	<u>(8,604)</u>	<u>(19,150)</u>
	<u>59,887</u>	<u>57,218</u>	<u>19,098</u>	<u>18,179</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 2017
 (Unaudited)
 (Expressed in Bahrain Dinars)

8 Receivables and prepayments

	30 September <u>2017</u> (Unaudited)	31 December <u>2016</u> (Audited)
Ijarah Muntahia Bittamleek rental receivables	326,397	338,880
Allowance for doubtful Ijarah Muntahia Bittamleek rental receivables	(262,041)	(262,041)
Other receivables	197,582	67,290
Allowance for other receivables	(165,178)	(9,055)
Prepayments	24,747	26,685
Accrued profit on investment securities	196,113	78,554
Accrued profit on Mudaraba investments	<u>32,598</u>	<u>8,141</u>
	<u>350,218</u>	<u>248,454</u>

9 Share capital

	30 September <u>2017</u> (Unaudited)	31 December <u>2016</u> (Audited)
Authorised		
400,000,000 (2016: 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 (2016: 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.

Treasury Shares:

The Group had decided in the Annual General Meeting held on 24 April 2014 to purchase back 12,021,450 shares of 100 Fils each, amounting to BD1,202,145, which represents 5% of the share capital. The Group had obtained the approval from the Ministry of Industry and Commerce on 28 May 2014 and from the Central Bank of Bahrain on 2 July 2014.

The Company has only one class of equity shares and the holders of the shares have equal voting rights.

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 2017
 (Unaudited)
 (Expressed in Bahrain Dinars)

10 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 during the period.

	Nine months ended 30 September 2017 (Unaudited)	Nine months ended 30 September 2016 (Unaudited)	Quarter ended 30 September 2017 (Unaudited)	Quarter ended 30 September 2016 (Unaudited)
Net profit attributable to the shareholders	<u>510,425</u>	<u>2,581,130</u>	<u>194,793</u>	<u>1,635,813</u>
Weighted average number of ordinary shares	<u>228,407,550</u>	<u>228,407,550</u>	<u>228,407,550</u>	<u>228,407,550</u>
Basic and diluted earnings per share	<u>Fils 2.23</u>	<u>Fils 11.30</u>	<u>Fils 0.85</u>	<u>Fils 7.16</u>

The Group does not have any potentially dilutive ordinary shares hence the diluted earnings and basic earnings per share are identical.

11 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. 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 at arm's length and are authorised by the management.

A summary of the transaction and amounts due from related parties is as follows:

Related party relationship	Transaction type	For the period ended transaction amount		Amounts due from related parties	
		30 September 2017 (Unaudited)	30 September 2016 (Unaudited)	30 September 2017 (Unaudited)	31 December 2016 (Audited)
Owners and immediate family members	Ijarah Muntahia Bittamleek	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Directors	Directors remuneration	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subsidiary	Expenditures	<u>10,503</u>	<u>1,522</u>	<u>-</u>	<u>-</u>
Directors	Board member fees and allowances	<u>12,050</u>	<u>17,100</u>	<u>-</u>	<u>-</u>
Key management personnel *	Salaries and other short-term benefits	<u>31,295</u>	<u>112,795</u>	<u>-</u>	<u>-</u>
Directors	Premises leased	<u>23,654</u>	<u>23,654</u>	<u>-</u>	<u>-</u>

* Key management personnel are those staff members who have authority and responsibility for planning, directing and controlling the activities of the Group.

12 Dividends

A dividend of BD1,142,038 representing 5% of the total issued and fully paid-up share capital (net of treasury shares) of the Company for the year ended 31 December 2016 (2016: BD1,142,038 for the year ended 31 December 2015) was declared and approved by the shareholders in the Annual General Meeting of the shareholders held on 18 May 2017. The dividend was declared and subsequently paid to the shareholders in 2017.

13 Interim financial information

The interim net profit for the quarter and the nine months ended 30 September 2017 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 2017 and occurring before the date of the report that has a significant impact on these financial statements.