

ISLAMIC FINANCIAL SECURITIES

COMPANY (Q.S.C)

DOHA - QATAR

INTERIM CONDENSED FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR'S REVIEW REPORT

FOR THE SIX MONTH PERIOD ENDED

JUNE 30, 2009

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2009

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INDEPENDENT AUDITOR'S REVIEW REPORT

**The Chairman and the Board of Directors
Islamic Financial Securities Company (Q.S.C)
Doha – Qatar**

Introduction

We have reviewed the accompanying interim condensed financial statements of Islamic Financial Securities Company (QSC), which comprise the interim statement of financial position as of June 30, 2009 and the interim statements of income and comprehensive income for the three month and six month periods then ended, the interim statements of changes in shareholders' equity and cash flows for the six month period then ended, and selected explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard: IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed financial statements 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 interim condensed financial statements consists of making inquiries, primarily of persons responsible for the 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 interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard No. (34), "Interim Financial Reporting".

For Deloitte & Touche

**Doha - Qatar
July --, 2009**

**Muhammad O. Bahemia
License No. 103**

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

INTERIM STATEMENT OF FINANCIAL POSITION

As at June 30, 2009

	Note	June 30, 2009 (Reviewed) QR.	December 31, 2008 (Audited) QR.
ASSETS			
Current Assets			
Cash and bank balances	3	645,653,892	640,193,145
Bank balances – customers’ funds	4	57,635,953	107,347,428
Due from customers		3,256,489	--
Due from Qatar Exchange		5,476,449	977,671
Prepayments and other debit balances	5	3,762,981	3,502,700
Total Current Assets		715,785,764	752,020,944
Non-Current Assets:			
Available-for-sale investments		4,668,538	4,742,188
Property and equipment		1,705,435	2,471,393
Total Non-Current Assets		6,373,973	7,213,581
Total Assets		722,159,737	759,234,525
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current Liabilities			
Due to customers	6	70,170,533	111,489,545
Due to a related party from Mudaraba contracts	7	609,433,099	600,150,000
Accruals and other credit balances		301,046	2,875,747
Total Current Liabilities		679,904,678	714,515,292
Non-Current Liabilities			
Employees' end of service benefits		544,277	518,836
Total liabilities		680,448,955	715,034,128
Shareholders' Equity			
Paid up share capital	8	30,000,000	20,000,000
Retained earnings		4,074,612	185,476
Legal reserve		7,341,941	7,341,941
Fair value reserve		294,229	72,980
Proposed dividends		--	16,600,000
Total Shareholders' Equity		41,710,782	44,200,397
Total Liabilities and Shareholders' Equity		722,159,737	759,234,525

Khaled Bin Thani Bin Abdulla Al Thani
Chairman

Abdul-Basit Ahmad Al-Sheibi
Managing Director

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

INTERIM STATEMENT OF INCOME

For the three and six month period ended June 30, 2009 (Reviewed)

	Note	<u>For the three month period ended</u>		<u>For the six month period ended</u>	
		<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
		QR.	QR.	QR.	QR.
<u>Revenue:</u>					
Brokerage and commission income		5,515,266	19,068,169	8,174,033	28,968,818
Brokerage and commission expense		(1,488,895)	(7,454,970)	(2,125,473)	(10,672,138)
Brokerage and Commission Income, Net		4,026,371	11,613,199	6,048,560	18,296,680
Income from deposits in Islamic banks		760,756	2,154,087	1,307,205	2,934,960
(Loss) / gain on sale of available-for-sale investments		(65,742)	93,926	(65,742)	91,171
Impairment loss on available-for-sale investments		(172,548)	--	(294,898)	--
Income from Mudaraba contracts		593,663	--	1,300,362	--
Other income		1,001,860	93,983	1,094,751	336,825
Net Operating Profit		6,144,360	13,955,195	9,390,238	21,659,636
<u>Expenses:</u>					
General and administrative expenses		(2,375,952)	(3,366,460)	(4,583,528)	(5,189,487)
Depreciation expense		(390,952)	(433,718)	(785,908)	(870,413)
Finance and bank charges		(62,866)	(86,290)	(131,666)	(150,821)
Total Expenses		(2,829,770)	(3,886,468)	(5,501,102)	(6,210,721)
Net Income for the Period		3,314,590	10,068,727	3,889,136	15,448,915
Earnings per share (QR.)	9	0.83	2.52	0.97	3.86

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three and six month period ended June 30, 2009

	<u>For the three month period ended</u>		<u>For the six month period ended</u>	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
	QR.	QR.	QR.	QR.
Net profit for the period	3,314,590	10,068,727	3,889,136	15,448,915
Other comprehensive income				
Net loss on revaluation of available for sale investments	541,249	1,489,544	221,249	1,418,827
Total other comprehensive income for the period	3,855,839	11,558,271	4,110,385	16,867,742

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

INTERIM STATEMENT OF CHANGES IN EQUITY

For the six month period ended June 30, 2009

	Paid – up Capital	Retained Earnings	Legal Reserve	Fair Value Reserve	Proposed Dividends	Total
	QR.	QR.	QR.	QR.	QR.	QR.
Balance – January 1, 2008 (Audited)	20,000,000	11,994,397	5,498,488	1,046,892	--	38,539,777
Comprehensive income for the period	--	15,448,915	--	1,418,827	--	16,867,742
Dividends paid for 2007	--	(11,800,000)	--	--	--	(11,800,000)
Balance – June 30, 2008 (Reviewed)	20,000,000	15,643,312	5,498,488	2,465,719	--	43,607,519
Balance – January 1, 2009 (Audited)	20,000,000	185,476	7,341,941	72,980	16,600,000	44,200,397
Comprehensive income for the period	--	3,889,136	--	221,249	--	4,110,385
Transferred to share capital *	10,000,000	--	--	--	(10,000,000)	--
Dividends paid for 2008	--	--	--	--	(6,600,000)	(6,600,000)
Balance – June 30, 2009 (Reviewed)	30,000,000	4,074,612	7,341,941	294,229	--	41,710,782

* The Ordinary General Assembly held on February 3, 2009 resolved to increase the paid up capital by QR. 10,000,000.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

INTERIM STATEMENT OF CASH FLOWS

For the six month period ended March 31, 2009

	<u>For the six month period ended</u>	
	June 30, 2009	June 30, 2008
	(Reviewed)	(Reviewed)
	QR.	QR.
OPERATING ACTIVITIES		
Net income for the period	3,889,136	15,448,915
Adjustments for:		
Depreciation expense	785,908	870,413
Finance and bank charges	131,666	150,821
Income from deposits in Islamic banks	(1,307,205)	(2,934,960)
Loss / (Gain) from sale of available-for-sale investments	65,742	(91,171)
Impairment loss on available-for-sale investments	294,898	--
Income from Mudaraba contracts	(1,300,362)	--
Provision for employees' end of service benefits	81,338	94,208
	2,641,121	13,538,226
Bank balances – customers' funds	49,711,475	(35,597,738)
Due from customers	(3,256,489)	(30,583,932)
Due from Qatar Exchange	(4,498,778)	115,631,865
Prepayments and other assets	(260,281)	(601,157)
Due to customers	(41,319,012)	(32,390,057)
Due to a related party from Mudaraba contracts	9,283,099	200,300,000
Accruals and other liabilities	(2,574,701)	(567,863)
	9,726,434	229,729,344
Employees' end of service benefits paid	(55,897)	(17,581)
Net Cash Flow from Operating Activities	9,670,537	229,711,763
INVESTING ACTIVITIES		
Acquisition of property and equipment	(19,950)	(184,426)
Acquisition of available-for-sale investments	(2,156,051)	(4,178,962)
Proceeds from sale of available-for-sale investments	2,090,310	1,130,647
Income from Mudaraba contracts	1,300,362	--
Income from deposits in Islamic banks	1,307,205	2,934,960
Net Cash from / (used in) Investing Activities	2,521,876	(297,781)
FINANCING ACTIVITIES		
Finance and bank charges	(131,666)	(150,821)
Dividends paid	(6,600,000)	(11,800,000)
Net Cash used in Financing Activities	(6,731,666)	(11,950,821)
Net increase in cash and bank balances	5,460,747	217,463,161
Cash and bank balances – Beginning of the period	640,193,145	29,119,013
Cash and bank balances - End of the Period	645,653,892	246,582,174

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2009

1. GENERAL INFORMATION

Islamic Financial Securities Company (“The Company”) is a Qatari Public Shareholding Company and is registered and incorporated in Qatar and engaged in the activity of trading as brokers in the Doha Securities Market. The Company is registered in the Commercial Register under No. 26337. The Company commenced its operations on June 15, 2003.

On September 22, 2006, the Board of Directors resolved to transform the Company to a Public Qatari Shareholding Company. The Company obtained the approval of the Ministry of Economy & Commerce on December 26, 2006 and its legal structure was changed from a Closed to Public Shareholding Company on that date. The shares of the Company were listed on the Doha Securities Market on March 3, 2008.

On December 28, 2008, the General Assembly resolved to convert the Company into a Holding Company. The legal formalities in respect of the change are still in progress.

The interim condensed financial statements were approved by the Board of Directors and authorised for issue on July xx, 2009.

2. ACCOUNTING POLICIES

These interim condensed financial statements are prepared in accordance with IAS 34, Interim Financial Reporting. The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2008, except the following:

IAS 1 (Revised), “Presentation of Financial Statements”

This revised standard, effective for annual periods beginning on or after January 1, 2009, has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised standard has had no impact on the reported results or financial position of the Company.

These interim condensed financial statements should be read in conjunction with the 2008 annual financial statements and the notes attached thereto.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, the results for the six month period ended June 30, 2009 are not necessarily indicative of the results that may be expected for the full financial year ending December 31, 2009.

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2009

3. CASH AND BANK BALANCES

	June 30, 2009 (Reviewed)	December 31, 2008 (Audited)
	QR.	QR.
Current accounts with banks	8,954,972	--
Saving accounts	636,698,920	640,193,145
Total	645,653,892	640,193,145

4. BANK BALANCES – CUSTOMERS’ FUNDS

Represents bank balances for the customers, which the Company holds in trust until the customers commit those funds to the purchase of shares following which the Company transfers the committed funds to the Company’s bank accounts and settles with the settlement authority.

5. PREPAYMENTS AND OTHER ASSETS

	June 30, 2009 (Reviewed)	December 31, 2008 (Audited)
	QR.	QR.
Refundable deposits	2,324,865	2,000,150
Accrued revenues from deposits with Islamic banks	540,000	964,749
Prepaid expenses	897,793	515,327
Others	323	22,474
Total	3,762,981	3,502,700

6. DUE TO CUSTOMERS

Represents amounts deposited by customers against trading transactions performed by them.

7. DUE TO A RELATED PARTY FROM MUDARABA CONTRACTS

In 2008, the Company entered into 4 Mudaraba agreements with Qatar Islamic International Bank (the “Bank”), whereby the Company invests a total amount of QR. 600,000,000 on behalf of the Bank for a share that varies between 4.5% - 6.5% of the Mudaraba investment income.

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2009

8. SHARE CAPITAL

	June 30, 2009 (Reviewed)	December 31, 2008 (Audited)
	QR.	QR.
Authorized and issued share capital:		
4,000,000 shares with a value of QR.10 per share	40,000,000	40,000,000
Percentage of paid-up capital	75%	50%
Paid-up share capital (QR.)	30,000,000	20,000,000

During the period, the Company transferred an amount of QR. 10,000,000 from proposed cash dividends to share capital in order to cover 50% of the un-paid portion of the authorized share capital after obtaining the approval of the shareholders during the General Assembly Meeting held on February 3, 2009.

9. EARNINGS PER SHARE

Earnings per share are calculated by dividing the net income for the period by the weighted average number of ordinary shares outstanding during the period as follows:

	For the three month period ended		For the six month period ended	
	June 30, 2009 (Reviewed)	June 30, 2008 (Reviewed)	June 30, 2009 (Reviewed)	June 30, 2008 (Reviewed)
Net income for the period (QR)	3,314,590	10,068,727	3,889,136	15,448,915
Weighted average number of shares	4,000,000	4,000,000	4,000,000	4,000,000
Earnings per share (QR)	0.83	2.52	0.97	3.86

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2009

10. RELATED PARTIES TRANSACTIONS

These represent transactions with related parties, such as the major shareholders, senior management of the Company and the companies of which they are the principal owners.

During the period, related parties transactions were as follows:

	<u>For the six months period ended</u>	
	June 30, 2009	June 30, 2008
	(Reviewed)	(Reviewed)
	QR.	QR.
Commission income, net	348,126	2,465,273
Income from Mudaraba contracts	1,300,362	--

11. KEY MANAGEMENT REMUNERATION

The remuneration of directors and other members of key management during the period were as follows:

	<u>For the six months period ended</u>	
	June 30, 2009	June 30, 2008
	(Reviewed)	(Reviewed)
	QR.	QR.
Short term benefits	96,000	96,000

12. CONTINGENT LIABILITIES

	June 30, 2009	December 31, 2008
	(Reviewed)	(Audited)
	QR.	QR.
Letters of guarantee	692.778.032	692,500,000