

**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, 2010**

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2010

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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 (Q.S.C), which comprise the interim statement of financial position as of June 30, 2010 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 11, 2010**

**Midhat Salha
License No. 257**

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

INTERIM STATEMENT OF FINANCIAL POSITION

June 30, 2010

	Note	June 30, 2010 (Reviewed) QR.	December 31, 2009 (Audited) QR.
ASSETS			
Current Assets			
Cash and bank balances	4	42,686,331	60,050,950
Bank balances – customers’ funds	5	63,691,972	37,105,752
Due from customers		1,902,441	1,101,948
Prepayments and other debit balances	6	3,990,683	12,759,782
Total Current Assets		112,271,427	111,018,432
Non-Current Assets			
Available-for-sale investments		4,334,881	4,549,239
Property and equipment		819,136	1,108,754
Total Non-Current Assets		5,154,017	5,657,993
Total Assets		117,425,444	116,676,425
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current Liabilities			
Due to customers	7	75,215,251	61,498,263
Accruals and other credit balances		92,901	11,977,166
Total Current Liabilities		75,308,152	73,475,429
Non-Current Liabilities			
Employees' end of service benefits		667,877	622,477
Total liabilities		75,976,029	74,097,906
Shareholders' Equity			
Paid up share capital	8	30,000,000	30,000,000
Legal reserve		7,828,418	7,828,418
Retained earnings		3,489,758	563,772
Fair value reserve		131,239	186,329
Proposed dividends		--	4,000,000
Total Shareholders' Equity		41,449,415	42,578,519
Total Liabilities and Shareholders' Equity		117,425,444	116,676,425

Dr. Khaled Bin Thani Bin Abdulla Al Thani
Chairman

Abdulbasit 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, 2010 (Reviewed)

	Note	For the three month period ended		For the six month period ended	
		June 30, 2010 (Reviewed)	June 30, 2009 (Reviewed)	June 30, 2010 (Reviewed)	June 30, 2009 (Reviewed)
Revenue:		QR.	QR.	QR.	QR.
Brokerage and commission income		5,213,238	5,515,266	8,192,284	8,174,033
Brokerage and commission expense		(1,416,767)	(1,488,895)	(2,182,530)	(2,125,473)
Brokerage and Commission Income, Net		3,796,471	4,026,371	6,009,754	6,048,560
Income from deposits with Islamic banks		662,461	760,756	1,273,537	1,307,205
Gain / (Loss) on sale of available-for-sale investments		13,548	(65,742)	13,548	(65,742)
Impairment loss on available-for-sale investments		--	(172,548)	(5,260)	(294,898)
Income from Mudaraba contracts		66,500	593,663	285,000	1,300,362
Other income		92,746	1,001,860	200,519	1,094,751
Net Operating Profit		4,631,726	6,144,360	7,777,098	9,390,238
Expenses:					
General and administrative expenses		(2,192,612)	(2,375,952)	(4,199,146)	(4,583,528)
Depreciation expense		(269,646)	(390,952)	(580,602)	(785,908)
Finance and bank charges		(32,752)	(62,866)	(71,364)	(131,666)
Total Expenses		(2,495,010)	(2,829,770)	(4,851,112)	(5,501,102)
Net Income for the Period		2,136,716	3,314,590	2,925,986	3,889,136
Earnings per share	9	0.53	0.83	0.73	0.97

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, 2010 (Reviewed)

	For the three month period ended		For the six month period ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
	QR.	QR.	QR.	QR.
Net profit for the period	2,136,716	3,314,590	2,925,986	3,889,136
Other comprehensive income				
Net (loss) / gain on revaluation of available for sale investments	(49,050)	541,249	(55,090)	221,249
Total other comprehensive income for the period	2,087,666	3,855,839	2,870,896	4,110,385

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 SHAREHOLDERS' EQUITY

For the six month period ended June 30, 2010

	Paid – up Capital	Legal Reserve	Retained Earnings	Fair Value Reserve	Proposed Dividends	Total
	QR.	QR.	QR.	QR.	QR.	QR.
Balance – January 1, 2009 (Audited)	20,000,000	7,341,941	185,476	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	--	--	--	--	(6,600,000)	(6,600,000)
Balance – June 30, 2009 (Reviewed)	30,000,000	7,341,941	4,074,612	294,229	--	41,710,782
Balance – January 1, 2010 (Audited)	30,000,000	7,828,418	563,772	186,329	4,000,000	42,578,519
Comprehensive income for the period	--	--	2,925,986	(55,090)	--	2,870,896
Dividends paid	--	--	--	--	(4,000,000)	(4,000,000)
Balance – June 30, 2010 (Reviewed)	30,000,000	7,828,418	3,489,758	131,239	--	41,449,415

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 June 30, 2010

	For the six month period ended	
	June 30, 2010 (Reviewed)	June 30, 2009 (Reviewed)
	QR.	QR.
OPERATING ACTIVITIES		
Net income for the period	2,925,986	3,889,136
Adjustments for:		
Depreciation expense	580,602	785,908
Finance and bank charges	71,364	131,666
Income from deposits in Islamic banks	(1,273,537)	(1,307,205)
Gain / (loss) from sale of available-for-sale investments	(13,548)	65,742
Impairment loss on available-for-sale investments	5,260	294,898
Income from Mudaraba contracts	(285,000)	(1,300,362)
Loss on sale of Property, plant and equipment	424	--
Provision for employees' end of service benefits	77,877	81,338
	<u>2,089,428</u>	<u>2,641,121</u>
Bank balances – customers' funds	(26,586,220)	49,711,475
Due from customers	(800,493)	(3,256,489)
Prepayments and other assets	8,769,099	(260,281)
Due to customers	13,716,988	(41,319,012)
Due to a related party from Mudaraba contracts	--	9,283,099
Accruals and other liabilities	(11,884,265)	(2,574,701)
	<u>(14,695,463)</u>	<u>14,225,212</u>
Employees' end of service benefits paid	(32,477)	(55,897)
Net Cash Flow (used in) / from Operating Activities	<u>(14,727,940)</u>	<u>14,169,315</u>
INVESTING ACTIVITIES		
Acquisition of property and equipment	(291,402)	(19,950)
Acquisition of available-for-sale investments	--	(2,156,051)
Proceeds from sale of available-for-sale investments	167,550	2,090,310
Income from Mudaraba contracts	285,000	1,300,362
Income from deposits in Islamic banks	1,273,537	1,307,205
Net Cash from generated Investing Activities	<u>1,434,685</u>	<u>2,521,876</u>
FINANCING ACTIVITIES		
Finance and bank charges	(71,364)	(131,666)
Dividends paid	(4,000,000)	(6,600,000)
Net Cash used in Financing Activities	<u>(4,071,364)</u>	<u>(6,731,666)</u>
Net (decrease) / increase in cash and bank balances	(17,364,619)	9,959,525
Cash and bank balances – Beginning of the period	60,050,950	641,170,816
Cash and bank balances - End of the Period	<u>42,686,331</u>	<u>651,130,341</u>

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, 2010

1. GENERAL INFORMATION

Islamic Financial Securities Company (“The Company”), a Qatari Public Shareholding Company, is registered and incorporated in Qatar and is engaged in the activity of trading as brokers in the Qatar Exchange. The Company is registered in the Commercial Register under No. 26337.

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 Qatar Exchange 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 11, 2010.

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, 2009.

These interim condensed financial statements should be read in conjunction with the 2009 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, 2010 are not necessarily indicative of the results that may be expected for the full financial year ending December 31, 2010.

3. SEGMENT INFORMATION

The Company is organised into one main business segment, which comprises providing Islamic brokerage services in the state of Qatar only.

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**For the six month period ended June 30, 2010

4. CASH AND BANK BALANCES

	June 30, 2010	December 31, 2009
	(Reviewed)	(Audited)
	QR.	QR.
Cash on hand	5,000	--
Saving accounts	<u>42,681,331</u>	<u>60,050,950</u>
Total	<u>42,686,331</u>	<u>60,050,950</u>

5. 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.

6. PREPAYMENTS AND OTHER ASSETS

	June 30, 2010	December 31, 2009
	(Reviewed)	(Audited)
	QR.	QR.
Refundable deposits	2,062,438	124,525
Accrued revenues from deposits with Islamic banks	622,000	12,217,999
Prepaid expenses	<u>1,306,245</u>	<u>417,258</u>
Total	<u>3,990,683</u>	<u>12,759,782</u>

7. DUE TO CUSTOMERS

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

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended June 30, 2010

8. SHARE CAPITAL

	June 30, 2010 (Reviewed) QR.	December 31, 2009 (Audited) 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%	75%
Paid-up share capital (QR.)	30,000,000	30,000,000

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, 2010 (Reviewed)	June 30, 2009 (Reviewed)	June 30, 2010 (Reviewed)	June 30, 2009 (Reviewed)
Net income for the period (QR)	2,136,716	3,314,590	2,925,986	3,889,136
Weighted average number of shares	4,000,000	4,000,000	4,000,000	4,000,000
Basic of diluted earnings per share(QR)	0.53	0.83	0.73	0.97

10. RELATED PARTIES TRANSACTIONS

Related parties represent the shareholders, directors and key management personnel of the Company and companies controlled, jointly controlled or significantly influenced by those parties.

During the period, related parties transactions were as follows:

	For the six month period ended	
	June 30, 2010 (Reviewed) QR.	June 30, 2009 (Reviewed) QR.
Commission income, net	471,827	348,126
Income from Mudaraba contracts	285,000	1,300,362

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**For the six month period ended June 30, 2010

11. KEY MANAGEMENT REMUNERATION

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

	For the six month period ended	
	June 30, 2010	June 30, 2009
	(Reviewed)	(Reviewed)
	QR.	QR.
Short term benefits	96,000	96,000

12. CONTINGENT LIABILITIES

	June 30, 2010	December 31, 2009
	(Reviewed)	(Audited)
	QR.	QR.
Letters of guarantee	52,500,000	52,500,000