

**ISLAMIC HOLDING GROUP (Q.S.C.)
DOHA - QATAR**

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012**

ISLAMIC HOLDING GROUP (Q.S.C.)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2012

Independent auditor's report --

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QR. 80518

INDEPENDENT AUDITOR'S REPORT

**To The Shareholders
Islamic Holding Group (Q.S.C)
Doha – Qatar**

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Islamic Holding Group (Q.S.C) (the "Group), which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Islamic Holding Group (Q.S.C) as at December 31, 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Legal and Regulatory Requirements

Furthermore, in our opinion the consolidated financial statements provide the information required by the Qatar Commercial Companies' Law No. (5) of 2002 and its amendments and the Company's Articles of Association. We are also of the opinion that proper books of account were maintained by the Group and the contents of the directors' report are in agreement with the Group's consolidated financial statements. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. To the best of our knowledge and belief and according to the information given to us, no contraventions of the Commercial Companies Law or the Company's Articles of Association were committed during the year which would materially affect the Group's activities or its consolidated financial position.

For Deloitte & Touche

January 15, 2013
Doha, Qatar

Midhat Salha
License No. 257

ISLAMIC HOLDING GROUP (Q.S.C.)**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at December 31, 2012

	Notes	2012	2011
		QR	QR
ASSETS			
Current assets			
Cash and bank balances	5	1,029,249,827	437,365,341
Bank balances and customers' funds	6	110,390,149	130,624,759
Due from customers	7	12,169,194	577,511
Prepayments and other assets	8	3,194,529	2,670,335
Total current assets		1,155,003,699	571,237,946
Non-current assets			
Property and equipment	9	1,244,386	1,975,020
Available-for-sale investments	10	8,978,203	3,401,074
Total non-current assets		10,222,589	5,376,094
Total assets		1,165,226,288	576,614,040
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Due to customers	11	118,437,571	131,936,557
Due to a related party from Wakala contracts	12	1,000,000,000	400,000,000
Accruals and other credit balances	13	1,833,690	1,016,573
Total current liabilities		1,120,271,261	532,953,130
Non-current liabilities			
Employees' end of service benefits	14	797,340	836,768
Total liabilities		1,121,068,601	533,789,898
Shareholders' equity			
Paid up share capital	15	30,000,000	30,000,000
Legal reserve	16	9,297,320	8,692,474
Retained earnings		1,016,669	224,268
Fair value reserve		(656,302)	(92,600)
Proposed dividends		4,500,000	4,000,000
Total shareholders' equity		44,157,687	42,824,142
Total liabilities and shareholders' equity		1,165,226,288	576,614,040

Dr. Yousuf Ahmad Hussain Al Nama
Chairman and Managing Director

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

ISLAMIC HOLDING GROUP (Q.S.C.)**CONSOLIDATED STATEMENT OF INCOME**

For the year ended December 31, 2012

	Notes	<u>2012</u>	<u>2011</u>
		QR	QR
Revenues			
Brokerage and commission income	17	17,620,542	16,475,356
Brokerage and commission expense	17	(4,826,302)	(4,497,436)
Brokerage and commission income, net		12,794,240	11,977,920
Income from saving accounts with Islamic banks		2,062,146	2,227,920
Gain on sale of available for sale investments	18	202,755	202,415
Income from Wakala contracts		802,351	650,000
Other income		67,688	10,567
Net operating income		15,929,180	15,068,822
Expenses			
General and administrative expenses	19	(8,914,407)	(9,348,093)
Depreciation expense	9	(749,873)	(857,126)
Finance and bank charges		(216,440)	(223,124)
Total expenses		(9,880,720)	(10,428,343)
Net profit for the year		6,048,460	4,640,479
Earnings per share	20	1.51	1.16

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

ISLAMIC HOLDING GROUP (Q.S.C.)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2012

	<u>2012</u>	<u>2011</u>
	<u>QR</u>	<u>QR</u>
Net profit for the year	6,048,460	4,640,479
Other comprehensive income items:		
Net change in fair value of available for sale investments	<u>(563,702)</u>	<u>(101,150)</u>
Total comprehensive income for the year	<u>5,484,758</u>	<u>4,539,329</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

ISLAMIC HOLDING GROUP (Q.S.C.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2012

	Notes	Share capital	Legal reserve	Retained earnings	Fair value reserve	Proposed dividends	Total
		QR	QR	QR	QR	QR.	QR
Balance at January 1, 2011		30,000,000	8,228,426	163,848	8,550	4,000,000	42,400,824
Comprehensive income for the year		--	--	4,640,479	(101,150)	--	4,539,329
Transfer to legal reserve		--	464,048	(464,048)	--	--	--
Provision for sport and social contribution	24	--	--	(116,011)	--	--	(116,011)
Dividends paid	21	--	--	--	--	(4,000,000)	(4,000,000)
Proposed dividends		--	--	(4,000,000)	--	4,000,000	--
Balance at December 31, 2011		30,000,000	8,692,474	224,268	(92,600)	4,000,000	42,824,142
Comprehensive income for the year		--	--	6,048,460	(563,702)	--	5,484,758
Transfer to legal reserve		--	604,846	(604,846)	--	--	--
Provision for sport and social contribution	24	--	--	(151,213)	--	--	(151,213)
Dividends paid	21	--	--	--	--	(4,000,000)	(4,000,000)
Proposed dividends		--	--	(4,500,000)	--	4,500,000	--
Balance at December 31, 2012		30,000,000	9,297,320	1,016,669	(656,302)	4,500,000	44,157,687

* The Board of Directors in its meeting held on January 15, 2013 proposed to the General Assembly a cash dividends of 15% of the paid capital amounting to QR. 4,500,000 (2011: QR. 4,000,000).

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

ISLAMIC HOLDING GROUP (Q.S.C.)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2012

	Notes	<u>2012</u>	<u>2011</u>
		QR	QR
OPERATING ACTIVITIES			
Net profit for the year		6,048,460	4,640,479
Adjustments for:			
Depreciation expense		749,873	857,126
Finance and bank charges		216,440	223,124
Income from saving accounts with Islamic Banks		(2,062,146)	(2,227,920)
Gain on sale of available-for-sale investments		(202,755)	(202,415)
Income from Wakala contracts		(802,351)	(650,000)
Provision for employees' end of service benefits		146,247	179,123
		4,093,768	2,819,517
Bank balances and customers' funds		20,234,610	(5,109,080)
Due from customers		(11,591,683)	3,610,323
Prepayments and other assets		(524,194)	808,824
Due to customers		(13,498,986)	4,086,899
Due to a related party from Wakala contracts		600,000,000	400,000,000
Accruals and other credit balances		665,904	(1,629,490)
		599,379,419	404,586,993
Employees' end of service benefits paid		(185,675)	(86,807)
Net cash generated by operating activities		599,193,744	404,500,186
INVESTING ACTIVITIES			
Purchases of property and equipment		(19,239)	(390,553)
Purchase of available-for-sale investments		(19,575,406)	(5,645,423)
Proceeds from sale of available-for-sale investments		13,637,330	5,133,496
Income from saving accounts with Islamic banks		2,062,146	2,227,920
Income from Wakala contracts		802,351	650,000
Fixed deposits		(600,000,000)	(400,000,000)
Net cash used in investing activities		(603,092,818)	(398,024,560)
FINANCING ACTIVITIES			
Finance and bank charges		(216,440)	(223,124)
Dividends paid		(4,000,000)	(4,000,000)
Net cash used in financing activities		(4,216,440)	(4,223,124)
Net (decrease) / increase in cash and cash equivalents		(8,115,514)	2,252,502
Cash and cash equivalents at the beginning of the year		37,365,341	35,112,839
Cash and cash equivalents at the end of the year	5	29,249,827	37,365,341

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

ISLAMIC HOLDING GROUP (Q.S.C.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

1. GROUP'S ACTIVITY

Islamic Financial Securities Company was established as a Qatari Private shareholding Company and registered in the Commercial Registration under No. 26337. The main activities of the Company are investing in shares and bonds, brokerage services in Qatar Exchange according to the Islamic Sharea'a. The Company works according to the Qatar Commercial Companies' Law No. 5 of 2002 and Qatar Exchange Regulations.

The Board of Directors in its meeting held on September 22, 2006 decided to change the Company to a Qatari Public Shareholding Company which was approved by the Ministry of Economy and Trade on December 26, 2006. The Company shares were listed in Qatar Exchange on March 3, 2008.

The shareholders in their Board of Directors meeting held on December 28, 2008 and based on the General Assembly resolution held on August 22, 2010, decided to change the Company's name and legal structure from Islamic Financial Securities Company (Qatari Public Shareholding Company) to Islamic Holding Group (Qatari Public Shareholding Company-Holding) (the "Company"). The change was made in accordance with the approvals of Qatar Financial Markets Authority and the approval of Ministry of Business and Trade on July 19, 2010.

These consolidated financial statements include the financial statements of the Group and its subsidiary company "Islamic Financial Securities Company" (hereinafter "the Group"). Islamic Financial Securities Company (the subsidiary company) was registered in the State of Qatar under Commercial Registration No. 46645 as a Single Person Company on July 19, 2010. It is fully owned by the Islamic Holding Group (Q.S.C.). The subsidiary company provides brokerage services.

The main activities of the Group is investing in shares and bonds, brokerage services through its subsidiary company, investing and managing subsidiary companies, ownership of patents and royalties.

During the year, the Group established a company under the name of Ajyad Real Estate Company (S.P.C) with a capital of QR. 5,000,000. The main activities of this company is Real Estate brokerage business. The Company did not commence any operations during the year.

These consolidated financial statements were approved by the Board of Directors on January 15, 2013.

ISLAMIC HOLDING GROUP (Q.S.C.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 Amendments to IFRSs affecting amounts reported in the financial statements

The following amendments to IFRSs were effective in the current year and have been applied in the preparation of these consolidated financial statements:

(i) **Revised standards:**

- IFRS 1 (Revised) *First time adoption of International Financial Reporting Standards*
 - Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'
 - Additional exemption for entities ceasing to suffer from severe hyperinflation
- IFRS 7 (Revised) *Financial Instruments Disclosures - Amendments enhancing disclosures about transfers of financial assets*
- IAS 12 (Revised) *Income Taxes - Limited scope amendment (recovery of underlying assets)*

The adoption of these revised standards had no significant effect on the consolidated financial statements of the Group for the year ended December 31, 2012, other than certain presentation and disclosure changes.

2.2 New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

(i) **Revised Standards:**

Effective for annual periods beginning on or after July 1, 2012 (Early adoption allowed)

- IAS 1 (Revised) *Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented*

Effective for annual periods beginning on or after January 1, 2013

- IFRS 7 (Revised) *Financial Instruments Disclosures - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities*
- IAS 19 (Revised) *Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects*
- IAS 27 (Revised)* *Consolidated and Separate Financial Statements (Early adoption allowed) - Reissued as IAS 27 Separate Financial Statements*
- IAS 28 (Revised)* *Investments in Associates (Early adoption allowed) -Reissued as IAS 28 Investments in Associates and Joint Ventures*

ISLAMIC HOLDING GROUP (Q.S.C.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective

Effective for annual periods beginning on or after January 1, 2015

- IFRS 7 (Revised) *Financial Instruments Disclosures - Amendments requiring disclosures about the initial application of IFRS 9*

(ii) New Standards:

Effective for annual periods beginning on or after January 1, 2013 (Early adoption allowed)

- IFRS 10* *Consolidated Financial Statements*
- IFRS 11* *Joint Arrangements*
- IFRS 12* *Disclosure of Interests in Other Entities*
- IFRS 13 *Fair Value Measurement*

Effective for annual periods beginning on or after January 1, 2015 (Early adoption allowed)

- IFRS 9 *Financial Instruments*
 - *Classification and measurement of financial assets*
 - *Accounting for financial liabilities and de-recognition*

(iii) New Interpretation:

Effective for annual periods beginning on or after January 1, 2013

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

* In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company in the period of initial application, other than certain presentation and disclosure changes.

ISLAMIC HOLDING GROUP (Q.S.C.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for available for sale investments, which are measured at fair value. The principal accounting policies are set out below.

These consolidated financial statements are presented in Qatari Riyals (QR), which is the Group's functional currency.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The consolidated financial statements incorporate the financial statements of Islamic Financial Securities Company (the "subsidiary"). The principal business activity of the subsidiary is to provide brokerage services. The Group owns 100% of the shares of the subsidiary including its assets, liabilities and results of operations.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group. All intra-company transactions, balances, income and expenses are eliminated on consolidation.

Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: cash and bank balances, available-for-sale investments and due from customers. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is an objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For quoted shares classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

ISLAMIC HOLDING GROUP (Q.S.C.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated statement of comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, impairment losses previously recognised through the consolidated statement of comprehensive income are not reversed through the consolidated statement of comprehensive income. Any increase in fair value subsequent to an impairment loss is recognised directly in shareholders' equity.

Available for sale investments

The Group's investments in equity securities are classified as available for sale investments and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the fair value reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is taken to the consolidated statement of income.

Dividends are recognised in the consolidated statement of income when the Group's right to receive the dividends is established.

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each financial position date, with the effect of any changes in estimate accounted for on prospective basis.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

ISLAMIC HOLDING GROUP (Q.S.C.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employees end of service benefits

A provision is made for employees end of service benefits which are payable on completion of employment. The provision is calculated in accordance with Qatari Labour Law based on employees' salaries and accumulated periods of service.

The Group pays contributions to the General Retirement and Pension Authority as a percentage of the Qatari employees' salaries.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

i) Commissions

Commission income from brokerage activities is recognized when the purchase or sale transactions are executed. It is calculated in accordance with rates stated by Qatar Exchange.

Commission income is reduced by commission rebates.

ii) Dividend Income

Dividend income from investments is recognised when the shareholder's right to receive payment is established.

ISLAMIC HOLDING GROUP (Q.S.C.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

iii) Profit from Deposits in Islamic Banks

Profit is accrued on a time basis, by reference to the principal outstanding and at the effective profit rate applicable.

Translation of foreign currencies

Foreign currency transactions are translated into Qatari Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the fair value reserve in equity.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements:

Classification of investments

Management decides, on the acquisition of an investment, whether to classify it as available for sale or financial assets at fair value through profit or loss. The Group classifies investments as financial assets at fair value through profit or loss if the investment was initially acquired for trading purposes. All other investments are classified as available for sale.

Impairment of available for sale investments

The Group follows the guidance of IAS 39 "Financial Instruments: Recognition and measurement" to determine when an available for sale investment is impaired. This determination requires significant judgment. In making this judgement, the Group assesses, among other factors, whether objective evidence of impairment exists. Objective evidence for an investment includes information about significant changes with an adverse effect that have taken place in the economic market in which the investee Group operates and indicates that the investment may have suffered a significant or prolonged decline in the fair value below its cost.

ISLAMIC HOLDING GROUP (Q.S.C.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

5. CASH AND BANK BALANCES

	<u>2012</u>	<u>2011</u>
	QR	QR
Current accounts	--	7,151,796
Saving accounts	<u>29,249,827</u>	30,213,545
Cash and cash equivalents	29,249,827	37,365,341
Term deposits	<u>1,000,000,000</u>	400,000,000
Cash and bank balances	<u>1,029,249,827</u>	<u>437,365,341</u>

Term deposits earn an average annual profit rate of 1.25% to 2% (2011: 1.25% to 2%) with maturity of 180 days.

6. BANK BALANCES AND CUSTOMERS' FUNDS

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

7. DUE FROM CUSTOMERS

	<u>2012</u>	<u>2011</u>
	QR	QR
Due from customers	<u>12,169,194</u>	<u>577,511</u>
<i>Aging of past due but not impaired</i>		
	<u>2012</u>	<u>2011</u>
	QR	QR
1 – 3 days	<u>11,534,196</u>	577,511
4 – 7 days	<u>634,998</u>	--
Total	<u>12,169,194</u>	<u>577,511</u>

8. PREPAYMENTS AND OTHER ASSETS

	<u>2012</u>	<u>2011</u>
	QR	QR
Refundable deposits	<u>2,000,250</u>	2,000,250
Accrued revenue from deposits with Islamic banks	<u>462,515</u>	--
Prepaid expenses	<u>731,164</u>	655,991
Other assets	<u>600</u>	14,094
	<u>3,194,529</u>	<u>2,670,335</u>

ISLAMIC HOLDING GROUP (Q.S.C.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

9. PROPERTY AND EQUIPMENT

	Computers, programs and office equipment	Furniture and fixtures	Decorations	Motor vehicles	Total
	QR	QR	QR	QR	QR
Cost					
At January 1, 2011	7,663,917	650,489	1,274,463	23,777	9,612,646
Additions	319,690	--	21,863	49,000	390,553
Disposals	(23,850)	--	--	--	(23,850)
At January 1, 2012	7,959,757	650,489	1,296,326	72,777	9,979,349
Additions	14,230	5,009	--	--	19,239
At December 31, 2012	<u>7,973,987</u>	<u>655,498</u>	<u>1,296,326</u>	<u>72,777</u>	<u>9,998,588</u>
Accumulated depreciation					
At January 1, 2011	5,510,141	616,828	1,020,308	23,776	7,171,053
Charge for the year	707,660	15,919	132,730	817	857,126
Disposals	(23,850)	--	--	--	(23,850)
At January 1, 2012	6,193,951	632,747	1,153,038	24,593	8,004,329
Charge for the year	654,951	12,981	72,141	9,800	749,873
At December 31, 2012	<u>6,848,902</u>	<u>645,728</u>	<u>1,225,179</u>	<u>34,393</u>	<u>8,754,202</u>
Net book value:					
At December 31, 2012	<u>1,125,085</u>	<u>9,770</u>	<u>71,147</u>	<u>38,384</u>	<u>1,244,386</u>
At December 31, 2011	<u>1,765,806</u>	<u>17,742</u>	<u>143,288</u>	<u>48,184</u>	<u>1,975,020</u>

The following depreciation percentage as used in the calculation of depreciation:

- Computers, programs and office equipment 20%-25%
- Furniture and fixtures 20%
- Decorations 20%
- Motor vehicles 20%

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10. AVAILABLE-FOR-SALE INVESTMENTS

	<u>2012</u>	<u>2011</u>
	QR	QR
At January 1	3,401,074	2,787,882
Additions	19,575,406	5,645,423
Disposals	(13,434,575)	(4,931,081)
Changes in fair value	(563,702)	(101,150)
At December 31	<u>8,978,203</u>	<u>3,401,074</u>

Available-for-sale investments include the following:

	<u>2012</u>	<u>2011</u>
	QR	QR
Listed securities (At fair value)		
Equity securities – Qatar	6,208,423	631,294
Unlisted securities (At cost)		
Equity securities – Qatar	2,550,000	2,550,000
Equity securities – Syria	219,780	219,780
	<u>8,978,203</u>	<u>3,401,074</u>

Available-for-sale investments are denominated in the following currencies:

	<u>2012</u>	<u>2011</u>
	QR	QR
Qatari Riyals	8,758,423	3,181,294
Other currencies	219,780	219,780
	<u>8,978,203</u>	<u>3,401,074</u>

11. DUE TO CUSTOMERS

	<u>2012</u>	<u>2011</u>
	QR	QR
Customer funds	<u>118,437,571</u>	<u>131,936,557</u>

Customer funds represent amounts deposited by customers against trading transactions performed by them.

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12. RELATED PARTY TRANSACTIONS

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

During the prior year, the Group entered into two Wakala agreements with a related party, Qatar International Islamic Bank (the "Bank"), whereby the Group invests a total amount of QR. 400,000,000 on behalf of the Bank. According to the agreement, the Group will receive a fixed amount against the investment amounting to QR. 240,000 every six months.

During the year, the Group entered into Wakala agreement with a related party, Qatar International Islamic Bank (the "Bank"), whereby the Group invests a total amount of QR. 600,000,000 on behalf of the Bank. According to the agreement, the Group will receive a fixed amount against the investment amounting to QR. 360,000 every six months.

The following transactions were carried out with related parties:

	<u>2012</u>	<u>2011</u>
	QR	QR
Commission income – net	<u>948,949</u>	<u>807,027</u>
Profit form Wakala contracts	<u>802,351</u>	<u>650,000</u>

Pricing policies and terms of these transactions are approved by the Group's management.

Compensation of key management personnel

The remuneration of members of key management during the year was as follows:

	<u>2012</u>	<u>2011</u>
	QR	QR
Short-term benefits	<u>1,208,200</u>	<u>1,429,200</u>

13. ACCRUALS AND OTHER CREDIT BALANCES

	<u>2012</u>	<u>2011</u>
	QR	QR
Accrued expenses	1,409,662	693,554
Dividends payable	272,815	207,008
Provision for sport and social activities contribution	151,213	116,011
	<u>1,833,690</u>	<u>1,016,573</u>

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14. EMPLOYEES' END OF SERVICE BENEFITS

	<u>2012</u>	<u>2011</u>
	QR	QR
At January 1	836,768	744,452
Additions	146,247	179,123
Payments	(185,675)	(86,807)
At December 31	<u>797,340</u>	<u>836,768</u>

15. PAID UP SHARE CAPITAL

	<u>2012</u>	<u>2011</u>
	QR	QR
Authorised and issued share capital:		
4,000,000 shares with a value of QR. 10 per share	<u>40,000,000</u>	<u>40,000,000</u>
Percentage of paid up capital	75%	75%
Paid up share capital (QR.)	<u>30,000,000</u>	<u>30,000,000</u>

16. LEGAL RESERVE

As required by the Qatari Commercial Companies Law No. 5 of 2002 and the Company's Articles of Association, 10% of the profit for the year is to be transferred to the statutory reserve until the reserve reaches a minimum of 50% of the paid up share capital. This reserve is not available for distribution.

17. COMMISSIONS

Commission income:

Commission income comprises commission raised on shares sale and purchase less discounts and commissions offered to clients.

Commission expenses:

Commission expenses comprise fees paid to the Qatar Exchange and other direct brokerage costs.

18. GAIN ON SALE OF AVAILABLE FOR SALE INVESTMENTS

	<u>2012</u>	<u>2011</u>
	QR	QR
Gain from sale of available-for-sale investments	<u>202,755</u>	<u>202,415</u>

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19. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2012</u>	<u>2011</u>
	QR	QR
Salaries and other staff costs	5,055,189	5,568,087
Rental charges	995,298	1,072,406
Board of Directors remuneration	525,000	225,000
Qatar Exchange penalties	200,000	--
Communication	691,601	702,126
Marketing and advertising	144,098	326,674
Electronic connection	--	174,886
Travel	172,262	182,356
Professional and legal fees	222,500	239,678
Repair and maintenance	587,469	486,862
Miscellaneous expenses	320,990	370,018
	<u>8,914,407</u>	<u>9,348,093</u>

20. EARNINGS PER SHARE

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

	<u>2012</u>	<u>2011</u>
Net income for the year (QR.)	6,048,460	4,640,479
Weighted average number of shares	4,000,000	4,000,000
Basic and diluted earnings per share (QR.)	<u>1.51</u>	<u>1.16</u>

21. DIVIDEND PAID

During the year, a cash dividend amounting to QR 4,000,000 was paid (2011: QR 4,000,000).

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Profit margin risk exposures

Profit margin risk represents the exposure the Group faces to changes in profit margin on its financial assets and liabilities. Management believes that this risk is minimal since none of the financial assets and liabilities carry variable profit margins.

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22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group does not hedge its exposure to currency risk; however, management is of the opinion that the Group's exposure to currency risk is minimal as almost all of its financial instruments are denominated in Qatari Riyals.

Capital risk

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of equity, comprising issued capital, reserves and retained earnings.

Market risk

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

An increase or decrease of 10% in market value of the Group's available-for-sale investments is expected to result in an increase or decrease of QR. 897,820 in the assets and equity of the Group.

Liquidity risk management

Liquidity risk is the risk that the Group will be unable to meet its liabilities and commitments when they fall due. Due to the nature of operations, management is of the opinion that the Group's exposure to liquidity risk is minimal. All financial liabilities are due within one year.

Fair value of financial instruments

The fair value of financial instruments traded in active markets (such as available for sale securities) is based on quoted market prices at the financial position date. The quoted market price used for financial assets held by the Group is the current bid price.

23. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following contingent liabilities outstanding at December 31:

	<u>2012</u>	<u>2011</u>
	QR	QR
Letters of guarantee	<u>1,085,000,000</u>	<u>485,000,000</u>

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For the year ended December 31, 2012

24. PROVISION FOR SPORTS AND SOCIAL ACTIVITIES CONTRIBUTION

During the year, and in accordance with Law No. 13 of 2008, the Group has taken a provision for the support of sports, social, cultural and charitable activities for an amount equivalent of 2.5% of the net profit of the Company for the year ended December 31, 2012.

25. SEGMENT ANALYSIS

The Company operates in a main business segment that is cash and other investments and managing the subsidiaries in the State of Qatar only. The subsidiary currently operates in one business segment, financial brokerage in the State of Qatar.

26. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.