Islamic Holding Group (Q.S.C)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ISLAMIC HOLDING GROUP (Q.S.C)

Introduction

We have audited the accompanying consolidated financial statements of Islamic Holding Group (Q.S.C) (the "Company"), and its subsidiaries (together referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statements of income, comprehensive income, changes in 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 about 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The consolidated financial statements of the Group as at 31 December 2012 were audited by another auditor who expressed an unmodified opinion on those consolidated statements on 15 January 2013.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ISLAMIC HOLDING GROUP (Q.S.C) (CONTINUED)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Group and the financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Group's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year, which might have had a material effect on the business of the Group or on its financial position.

Ziad Nader
Of Ernst & Young
Auditor's Registration No. 258

Date: 15 January 2014
Doha

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	*2013* *QR*	*2012* *QR*
ASSETS			
Current assets			
Bank balances	5	**48,441,981**	1,029,249,827
Bank balances - customers' funds	6	**187,369,007**	148,179,410
Due from customers		**791**	12,169,194
Prepayments and other debit balances	7	**4,371,720**	3,194,529
Total current assets		**240,183,499**	1,192,792,960
Non-current assets			
Property and equipment	8	**699,777**	1,244,386
Available for sale financial assets	9	**4,605,289**	8,978,203
Total non-current assets		**5,305,066**	10,222,589
Total assets		**245,488,565**	1,203,015,549
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Due to customers		**174,449,189**	118,437,571
Due to Qatar Exchange		**7,149,400**	37,789,261
Due to a related party from Wakala contracts	10,19	**-**	1,000,000,000
Accrued expenses and other credit balances	11	**4,064,529**	1,833,690
Total current liabilities		**185,663,118**	1,158,060,522
Non-current liability			
Employees' end of service benefits	12	**858,429**	797,340
Total liabilities		**186,521,547**	1,158,857,862
Shareholders' equity			
Share capital	13	**40,000,000**	30,000,000
Legal reserve	14	**10,243,566**	9,297,320
Retained earnings		**8,882,022**	5,516,669
Fair value reserve		**(158,570)**	(656,302)
Total shareholders' equity		**58,967,018**	44,157,687
Total liabilities and shareholders' equity		**245,488,565**	1,203,015,549

Dr. Yousuf Ahmad Hussain Al Nama
Chairman and Managing Director

Jamal Abdullah Al-Jamal
Board Member

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2013

	Notes	***2013*** ***QR***	*2012* *QR*
Brokerage and commission income		**18,356,180**	17,620,542
Brokerage and commission expense		**(4,795,013)**	(4,826,302)
Brokerage and commission income, net		**13,561,167**	12,794,240
Income from saving accounts with Islamic banks		**1,825,916**	2,062,146
Net gain on sale of trading property	16	**1,421,918**	-
Income from Wakala contracts		**757,649**	802,351
Dividends income		**622,413**	67,688
Net gain from sale of available of sale financial assets		**483,096**	202,755
Loss on sale of available of sale financial assets		**(143,765)**	-
Impairment losses on available for sale financial assets	9	**(475,634)**	-
Net operating income		**18,052,760**	15,929,180
Other income		**17,543**	-
General and administrative expenses	15	**(9,032,763)**	(9,880,720)
Profit for the year		**9,037,540**	6,048,460
Basic and diluted earnings per share	17	**2.26**	1.51

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Note	2013 QR	2012 QR
Profit for the year		**9,037,540**	6,048,460
Other comprehensive income (loss) for the year			
Changes in fair value of available for sale financial assets	9	**497,732**	(563,702)
Total comprehensive income for the year		**9,535,272**	5,484,758

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2013

	Share capital QR	*Legal reserve QR*	*Retained earnings QR*	*Fair value reserve QR*	*Total QR*
As at 1 January 2013	30,000,000	9,297,320	5,516,669	(656,302)	44,157,687
Profit for the year	-	-	9,037,540	-	9,037,540
Other comprehensive income for the year	-	-	-	497,732	497,732
Total comprehensive income for the year	-	-	9,037,540	497,732	9,535,272
Proceeds from increase in capital (Note 13)	10,000,000	-	-	-	10,000,000
Dividends paid to shareholders (Note 18)	-	-	(4,500,000)	-	(4,500,000)
Transferred to legal reserve (Note 14)	-	946,246	(946,246)	-	-
Provision for sport and social contribution	-	-	(225,941)	-	(225,941)
As at 31 December 2013	**40,000,000**	**10,243,566**	**8,882,022**	**(158,570)**	**58,967,018**
As at 1 January 2012	30,000,000	8,692,474	4,224,268	(92,600)	42,824,142
Profit for the year	-	-	6,048,460	-	6,048,460
Other comprehensive income for the year	-	-	-	(563,702)	(563,702)
Total comprehensive income for the year	-	-	6,048,460	(563,702)	5,484,758
Dividends paid to shareholders (Note 18)	-	-	(4,000,000)	-	(4,000,000)
Transferred to legal reserve (Note 14)	-	604,846	(604,846)	-	-
Provision for sport and social contribution	-	-	(151,213)	-	(151,213)
As at 31 December 2012	30,000,000	9,297,320	5,516,669	(656,302)	44,157,687

The attached notes 1 to 24 form part of consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	**2013 QR**	2012 QR
Operating activities			
Profit for the year		**9,037,540**	6,048,460
Adjustments for:			
Depreciation expense	8	**706,655**	749,873
Impairment losses on available for sale financial assets	9	**475,634**	-
Bank charges	15	**220,611**	214,843
Provision for employees' end of service benefits	12	**177,781**	146,247
Net gain from sale of available for sale financial assets		**(483,096)**	(202,755)
Dividends income		**(622,413)**	(67,688)
Income from Wakala contracts		**(757,649)**	(802,351)
Income from saving accounts with Islamic banks		**(1,825,916)**	(2,062,146)
		6,929,147	4,024,483
Working capital changes:			
Bank balances – customers' funds	6	**(39,189,597)**	(26,164,712)
Due from customers		**12,168,403**	(11,591,683)
Due to Qatar Exchange		**(30,639,861)**	46,399,322
Prepayments and other debit balances	7	**(1,177,191)**	(524,194)
Due to customers		**56,011,618**	(13,498,986)
Accrued expenses and other credit balances	11	**2,004,900**	665,904
		6,107,419	(689,866)
Cash used in operations:			
Bank charges	15	**(220,611)**	(214,843)
Employees end of service benefits paid	12	**(116,692)**	(185,675)
Net cash flows from (used in) operating activities		**5,770,116**	(1,090,384)
Investing activities			
Purchases of property and equipment	8	**(162,046)**	(19,239)
Purchases of available for sale investments	9	**(7,657,976)**	(19,575,406)
Proceeds from sale of available for sale investments		**12,536,082**	13,637,330
Dividends income		**622,413**	67,688
Income from Wakala contracts		**757,649**	802,351
Income from saving accounts with Islamic banks		**1,825,916**	2,062,146
Cash flows from (used in) investing activities		**7,922,038**	(3,025,130)
Financing activities			
Proceeds from increase in capital	13	**10,000,000**	-
Dividends paid to shareholders		**(4,500,000)**	(4,000,000)
Cash flows from (used in) financing activities		**5,500,000**	(4,000,000)
Net increase (decrease) in cash and cash equivalents		**19,192,154**	(8,115,514)
Cash and cash equivalents at 1 January		**29,249,827**	37,365,341
Cash and cash equivalents at 31 December	5	**48,441,981**	29,249,827

The attached notes 1 to 24 form part of these consolidated financial statements.

1 GENERAL INFORMATION

Islamic Financial Securities Company (Q.P.S.C) was established as a Qatari Private shareholding Company and registered under the Commercial Registration under No. 26337. The principal activities of the Company are investing in shares, bonds and brokerage services in Qatar Exchange according to the Islamic Sharea'a. The Company is governed by the provisions of Qatar Commercial Companies' Law No.5 of 2002 and the regulations of Qatar Financial Market Authority and Qatar Exchange.

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

In its Board of Directors meeting dated 28 December 2009 and the Extraordinary General Assembly Meeting dated 22 August 2010, the shareholders of the Group have resolved to change the Company's name and legal structure from Islamic Financial Securities Company (Qatar Public Shareholding Company) to Islamic Holding Group (Qatari Public Shareholding Company – Parent). The change was approved by the Qatar Financial Markets Authority and the Ministry of Business and Trade on 19 July 2010.

These consolidated financial statements include the financial statements of the Group and its subsidiaries "Islamic Financial Securities Company (S.O.C) and Ajyad Real Estate Company (S.O.C) (hereinafter referred to as the "Group").

Islamic Financial Securities Company (S.O.C) was registered in the State of Qatar under Commercial Registration No. 46645 as a Single Owner Company on 19 Jul 2010. It is fully owned by the Islamic Holding Group (Q.S.C.) ("the Company" or "the Parent"), The principal activities of the Company are brokerage services

Ajyad Real Estate Company (S.O.C) was incorporated in the state of Qatar as Single Owner Company under Commercial Registration No. 56091 dated 4 June 2012. The Company is fully owned by the parent Company, Islamic Holding Group (Q.S.C) (the "Company" or the "Parent"), The principal activities of the Company are real estate trading and brokerage activities.

The consolidated financial statements of the Group for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 15 January 2014.

2 BASIS OF PREPARATION AND CONSOLIDATION

2.1 Basis of preparation

The consolidated financial statements of the Group for the year ended 31 December 2013 have been prepared in accordance with the International Financial Reporting Standards IFRS as issued by the International Standards Accounting Board (IASB) and applicable requirements of Qatar Commercial Companies' Law No. 5 of 2002.

The consolidated financial statements are prepared under the historical cost basis, except for available-for-sale investments that have been measured at fair value.

The consolidated financial statements are presented in Qatari Riyals, which is the Company's functional and presentational currency and all values are rounded to the nearest Qatari Riyal, except when otherwise indicated.

2 BASIS OF PREPARATION AND CONSOLIDATION (continued)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2013.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Where the ownership of a subsidiary is less than 100% and, therefore, a non-controlling interest (NCI) exists, the NCI is allocated its share of the total comprehensive income of the period, even if that results in a deficit balance.

The Group's major subsidiaries included in these consolidated financial statements are:

Company's name	*Country of incorporation*	*Company's activities*	*Percentage of ownership 31 December 2013*	*Percentage of ownership 31 December 2012*
Islamic Financial Securities Company (S.O.C)	Qatar	Brokerage services	100%	100%
Ajyad Real Estate Company (S.O.C) (i)	Qatar	Real Estate	100%	100%

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

3 NEW STANDARDS AND INTERPRETATIONS

NEW AND AMENDED IFRS AND IFRIC INTERPRETATIONS ISSUED UP TO 31 DECEMBER 2013

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2012, except for the adoption of new and amended standards and interpretations effective as of 1 January 2013 as noted below:

Standard	***Content***
IFRS 7	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities – Amendments o IFRS 7
١٠IFRS	Consolidated Financial Statements, IAS 27 Separate Financial Statements
IFRS ١١	Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures
١٢IFRS	Disclosure of Interests in Other Entities
١٣IFRS	Fair Value Measurement

The adoption of the standards or interpretations is described below:

3 NEW STANDARDS AND INTERPRETATIONS (continued)

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation.

The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013

IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013, and is to be applied retrospectively for joint arrangements held at the date of initial application.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

Standards issued but not yet effective
Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

The Group is currently considering the implications of the new IFRSs which are effective for future accounting periods and has not early adopted any of the new Standards as listed below:

IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendments)
The concept of an investment entity is new to IFRS. The amendments represent a significant change for investment entities, which are currently required to consolidate investees that they control. Significant judgement of facts and circumstances may be required to assess whether an entity meets the definition of investment entity. These amendments become effective for annual periods beginning on or after 1 January 2014.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments become effective for annual periods beginning on or after 1 January 2014 and are not expected to impact the Group's financial position or performance.

3 NEW STANDARDS AND INTERPRETATIONS (continued)

IAS 36 Recoverable Amount Disclosures for Non- Financial Assets— Amendments to IAS 36
The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. The amendments no longer require the disclosure of information that was regarded as commercially sensitive by preparers. This might be a valid reason for entities to early adopt the amendments. Nevertheless, additional information needs to be provided. In general, it is likely that the information required to be disclosed will be readily available. These amendments become effective for annual periods beginning on or after 1 January 2014.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting — Amendments to IAS 39
The amendments provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument. The amendments cover novations to central counterparties, as well achieve clearing for that instrument. The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members, or clients of the latter that are themselves intermediaries. These amendments become effective for annual periods beginning on or after 1 January 2014.

IFRIC 21 Levies
IFRIC 21 is applicable to all levies other than outflows that are within the scope of other standards (e.g., IAS 12) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognised before the specified minimum threshold is reached. These amendments become effective for annual periods beginning on or after 1 January 2014.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2012, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Annual Improvements May 2013
These improvements are effective for annual periods beginning on or after 1 January 2013. These improvements will not have an impact on the Group, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards

Repeated application of IFRS 1
This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property; plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

4 SIGNIFICANT ACCOUNTING POLICIES

Revenue
Commission and brokerage income recognised on completion of selling or purchasing transaction and the right to receive income is retained.

Dividend income is recognised when the right to receive the dividend is established.

Interest income is recognised using the effective interest rate method.

Profit from Islamic deposits recognised upon the profit maturity.

Available-for-sale financial assets
Available-for-sale financial assets are recognised and derecognised, on a trade date basis, when the Group becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments designated as available-for-sale financial assets are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity through other comprehensive income. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as “fair value reserve” within equity is included in the statement of income for the period.

Property and equipment
Property and equipment are stated at cost, net of accumulated depreciation and/or impairment losses, if any. When significant parts of property and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognised in the statement of income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

• Furniture and fixtures	5 years
• Computers and software	3 to 5 years
• Leasehold improvements	5 years
• Motor vehicles	5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in the income statement when the asset is derecognised.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Impairment and uncollectibility of financial assets
An assessment is made at the end of each reporting period to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of income. Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;
b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Bank balances
For the purposes of the statement of cash flows, Bank balances consist of balances with banks and short term deposits with a maturity of less than three months.

Provisions
Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits
The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

The Group also provides for its contribution to the State administered retirement fund for Qatari employees in accordance with the retirement law, and the resulting charge is included within the staff cost in the statement of income. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. All differences are taken to the statement of income.

Fair values
The fair value of financial investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets at the close of business on the reporting date.

For financial instruments where there is no active market, the fair value is determined by using discounted cash flow analysis or reference to broker or dealer price quotations. For discounted cash flow analysis, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

Derecognition of financial assets and liabilities

a) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets and liabilities

b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of income.

5 BANK BALANCES

	2013	*2012*
	QR	*QR*
Bank balances	**48,441,981**	1,029,249,827

For the purpose of preparing the consolidated statement of cash flows, Wakala amounts included under bank balances and disclosed under note 10 have been excluded which amounted to zero Qatari Riyal as at 31 December 2013 (31 December 2012: 1000 million Qatari Riyal)

6 BANK BALANCES – CUSTOMERS' FUND

Represents 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 PREPAYMENTS AND OTHER DEBIT BALANCES

	2013	*2012*
	QR	*QR*
Refundable deposits	**2,000,250**	2,000,250
Accrued revenue from saving accounts with Islamic banks	**-**	462,515
Prepaid expenses	**2,294,455**	731,164
Other assets	**77,015**	600
Total	**4,371,720**	3,194,529

8 PROPERTY AND EQUIPMENT

	Computers, software and office equipment QR	*Furniture and fixtures QR*	*Leasehold improvements QR*	*Motor vehicles QR*	*Total QR*
Cost:					
As at 1 January 2013	7,973,987	655,498	1,296,326	72,777	9,998,588
Additions	156,682	5,364	-	-	162,046
As at 31 December 2013	8,130,669	660,862	1,296,326	72,777	10,160,634
Depreciation:					
As at 1 January 2013	6,848,902	645,728	1,225,179	34,393	8,754,202
Charge for the year	635,375	4,772	56,708	9,800	706,655
As at 31 December 2013	7,484,277	650,500	1,281,887	44,193	9,460,857
Net book value:					
As at 31 December 2013	**646,392**	**10,362**	**14,439**	**28,584**	**699,777**

	Computers, software and office equipment QR	*Furniture and fixtures QR*	*Leasehold improvements QR*	*Motor vehicles QR*	*Total QR*
Cost:					
As at 1 January 2012	7,959,757	650,489	1,296,326	72,777	9,979,349
Additions	14,230	5,009	-	-	19,239
As at 31 December 2012	7,973,987	655,498	1,296,326	72,777	9,998,588
Depreciation:					
As at 1 January 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
As at 31 December 2012	6,848,902	645,728	1,225,179	34,393	8,754,202
Net book value:					
As at 31 December 2012	1,125,085	9,770	71,147	38,384	1,244,386

9 AVAILABLE FOR SALE FINANCIAL ASSETS

Available for sale financial assets include the following:

	2013 QR	*2012 QR*
Quoted equity securities		
Equity securities – Qatar	**2,055,289**	6,208,423
Unquoted equity securities		
Equity securities – Qatar	**2,550,000**	2,550,000
Equity securities – Syria	**-**	219,780
Total unquoted	**2,550,000**	2,769,780
Total	**4,605,289**	8,978,203

The movement in available-for-sale financial assets balance during the year is illustrated as follows:

	2013 QR	*2012 QR*
At 1 January	**8,978,202**	3,401,074
Acquired during the year	**7,657,976**	19,575,406
Sold during the year	**(11,909,222)**	(13,434,575)
Net movement in fair value reserve	**497,732**	(563,702)
Loss on sale of available for sale financial assets	**(143,765)**	-
Impairment	**(475,634)**	-
At 31 December	**4,605,289**	8,978,203

10 DUE TO A RELATED PARTY FROM WAKALA CONTRACTS

Based on a correspondence between the Group and a related party, Qatar International Islamic Bank Q.S.C (the "Bank") dated 25 July, 2013, the Bank has terminated the two Wakala agreements,), whereby the Group has invested a total amount of QR 1,000,000,000 (2012: QR 1,000,000,000) on behalf of the Bank with Islamic financial institutions until the termination date.

11 ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	2013 QR	*2012 QR*
Accrued expenses	**1,525,922**	1,409,662
Notes payable	**428,153**	-
Dividends payable	**517,861**	272,815
Provision for sport and social activities contribution	**225,941**	151,213
Other liabilities	**1,366,652**	-
Total	**4,064,529**	1,833,690

12 EMPLOYEES' END OF SERVICE BENEFITS

The movements in the provision recognised in the consolidated statement of financial position are as follows:

	2013 *QR*	*2012* *QR*
Provision as at 1 January	**797,340**	836,768
Provided during the year	**177,781**	146,247
Paid during the year	**(116,692)**	(185,675)
Provision as at 31 December	**858,429**	797,340

13 SHARE CAPITAL

	2013 *QR*	*2012* *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	**100%**	75%
Paid-up share capital (QR.)	**40,000,000**	30,000,000

According to board of directors' resolution no.14/2013 dated 14 May 2013, the shareholders are called to pay off the unpaid 25% of the share capital based on the article of association and in coordination with the Ministry of Business and Trade. The shareholders have paid QR 10,000,000 from the remaining unpaid share capital of QR 10,000,000.

14 LEGAL RESERVE

As required by Qatar Commercial Companies' Law No. 5 of 2002, and the Company's articles of association, a minimum of 10% of the net profit for the year should be transferred to legal reserve each year until this reserve equals 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated in the above mentioned law.

As the reserve has not reached 50% of the share capital, the management decided to transfer 10% from net profit for the year ended 31 December 2013 amounting to QR 946,246 (2012: QR 604,846) to legal reserve.

The amounts transferred to the legal reserve relate to the net profit of the Subsidiaries, Islamic Financial Securities Company S.O.C, and Ajyad Real Estate Company S.O.C. amounting to QR 802,411 and QR 143,835 respectively.

15 GENERAL AND ADMINSTRATIVE EXPENSES

	2013	*2012*
	QR	*QR*
Staff costs	**3,606,195**	5,264,131
Rent	**889,964**	995,298
Telephone and postage	**715,112**	691,601
Depreciation	**706,655**	749,873
Board of directors remuneration	**700,000**	-
Repair and maintenance	**643,441**	586,219
Brokerage fees	**352,200**	232,200
Bank charges	**220,611**	214,843
Provision for employees' end of service benefits	**177,781**	146,247
Professional fees	**153,250**	215,000
Annual leave	**138,030**	171,275
Advertising and marketing expense	**137,552**	-
Air tickets	**116,770**	169,822
Stationery and printings	**88,014**	46,755
Government fees	**75,322**	25,140
Subscriptions	**50,368**	103,269
Vehicle expenses	**11,272**	8,014
Miscellaneous expenses	**250,226**	261,033
	9,032,763	9,880,720

16 NET GAIN ON SALE OF TRADING PROPERTY

During the year, the Group has jointly purchased with, Al Tashelat Islamic Group W.L.L, one property from a related party, Qatar International Islamic Bank Q.S.C, which was sold to another third party. The details of this transaction is summarised as follow:

	2013	*2012*
	QR	*QR*
Proceed from sale of trading property	**22,010,568**	-
Cost of purchase of trading property	**(20,588,650)**	-
Net gain on sale of trading property	**1,421,918**	-

17 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing profit for the period by the weighted average number of ordinary shares outstanding during the period as follows:

	2013	*2012*
	QR	*QR*
Profit for the year (QR)	**9,037,540**	6,048,460
Weighted average number of shares	**4,000,000**	4,000,000
Basic and diluted earnings per share (QR)	**2.26**	1.51

18 DIVIDENDS

In its General Assembly Meeting dated 3 February 2013, the shareholders of the Group approved declaring QR 1.125 per share totalling to QR 4,500,000 as cash dividends to be distributed from 2012 net profit, (2011: QR 1 per share totalling to QR 4,000,000).

The Board of Directors has proposed cash dividends of QR 1.7 per share totalling to QR 6,800,000 for the year ended 31 December 2013. The proposed dividend for the year ended 31 December 2013 will be submitted for approval at the Annual General Assembly meeting.

19 RELATED PARTIES TRANSACTIONS

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

Transactions with related parties included in the consolidated statement of income are as follows:

	2013 ***QR***	*2012* *QR*
Income from saving accounts with Islamic banks	**1,785,255**	1,900,628
Brokerage and commission income, net	**1,369,284**	948,949
Returned commissions	**1,055,321**	1,118,538
Income from Wakala contracts	**757,649**	802,351

Balances with related parties included in the consolidated statement of financial position are as follows:

	2013 ***QR***	*2012* *QR*
Bank balances- Customer Funds	**206,103,706**	138,764,027

Due to a related party

	2013 ***QR***	*2012* *QR*
Due to a related party from Wakala contracts	**-**	1,000,000,000

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

	2013 ***QR***	*2012* *QR*
Short term benefits	**1,091,600**	1,207,600

20 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Set out below is an overview of financial instruments, other than cash and bank balances and bank balances – customers' funds, held by the Group at:

31 December 2013	***Loans and receivables QR***	***Available for sale QR***
Financial assets:		
Due from customers	**791**	-
Other debit balances	**2,077,265**	-
	2,078,056	-
Available-for-sale investments	**-**	4,605,289
Total	**2,078,056**	4,605,289
Financial liabilities:		
Due to customers	**174,449,189**	-
Due to Qatar Exchange	**7,149,400**	-
Accrued expenses and other credit balances	**4,046,529**	-
Total	**185,645,118**	-

31 December 2012	*Loans and receivables QR*	*Available for sale QR*
Financial assets:		
Due from customers	12,169,194	-
Other debit balances	2,462,765	-
Other assets	600	-
	14,632,559	-
Available-for-sale investments	-	8,978,203
Total	14,632,559	8,978,203
Financial liabilities:		
Due to customers	118,437,571	-
Due to Qatar Exchange	37,789,261	-
Due to a related party from Wakala contracts	1,000,000,000	-
Accrued expenses and other credit balances	1,833,690	-
Total	1,158,060,522	-

20 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial investments by valuation technique:

Level 1:quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2:other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

For financial instruments that are recognised at fair value of a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As at 31 December 2013, the Group held the following financial instruments measured at fair value:

31 December 2013	***Fair value QR***	***Level 1 QR***	***Level 2 QR***	***Level 3 QR***
Available for sale financial assets	**2,055,289**	**2,055,289**	**-**	**2,550,000**

31 December 2012	*Fair value QR*	*Level 1 QR*	*Level 2 QR*	*Level 3 QR*
Available for sale financial assets	6,208,423	6,208,423	-	2,769,780

During the period ended on 31 December 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Impairment

Available for sale investments
For available for sale investments, the Group assess at each reporting date whether there is objective evidence that an investment or group of investments is impaired. In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. The Group has identified an impairment of QR 475,634 on quoted equity securities which was recorded under impairment losses on available for sale in the consolidated statement of income.

21 SEGMENT INFORMATION

Based on the nature of core activities of the business, the Group is segmented into three major operating segments. The major operating segments are given below with their respective revenue, results and analysis of assets and liabilities

Segment revenue and results	*Revenue*		*Results*	
	2013	*2012*	***2013***	*2012*
	QR	*QR*	***QR***	*QR*
Brokerage services	**18,356,180**	17,620,542	**8,024,110**	6,174,600
Real estate activities	**22,010,568**	-	**1,486,062**	-
Other investments	**3,689,074**	3,134,940	**(472,632)**	(126,140)
Total	**44,055,822**	20,755,482	**9,037,540**	6,048,460

Segment assets and liabilities	*Assets*		*Liabilities*	
	2013	*2012*	***2013***	*2012*
	QR	*QR*	***QR***	*QR*
Brokerage services	**213,539,881**	164,325,004	**186,512,547**	158,857,862
Real estate activities	**6,495,062**	**-**	**9,000**	**-**
Other investments	**25,453,622**	1,038,690,545	**-**	1,000,000,000
Total	**245,488,565**	1,203,015,549	**186,521,547**	1,158,857,862

22 CONTINGENT LIABILITIES

	2013	*2012*
	QR	*QR*
Letters of guarantee	**85,000,000**	1,085,000,000

23 SIGNIFICANT ASSUMPTIONS, ESTIMATES AND JUDGMENTS

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and certain disclosures at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgments, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Useful lives of property and equipment
The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset and physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of receivables
An estimate of the collectible amount of receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due.

At the end of the reporting period, gross amounts due from customers was QR 791 (2012: QR 12,169,194) with no allowance for impairment of receivables (2012: Nil). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of income.

23 SIGNIFICANT ASSUMPTIONS, ESTIMATES AND JUDGMENTS (continued)

Classification of investment securities

On acquisition of an investment security, the Group decides whether it should be classified as "investments at fair value through profit or loss" or "available-for-sale". The Group follows the guidance of IAS 39 on classifying its investments. The Group classifies investments as “at fair value through profit or loss” if they are acquired primarily for the purpose of short term profit making and cash generation. All other investments are classified as "available-for-sale". The Group accounts for investments in equity securities as investment in associate only when significant influence over the investee’s operations can be proved to exercise, else and regardless of the ownership share, the investment is classified as available-for-sale

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Information’s are disclosed in Note20.

24 COMPARATIVE FIGURES

Certain comparative figures pertaining to previous period/year have been reclassified in order to conform to the presentation of the current period and improve the quality of the information presented. However, such reclassifications do not affect the previously reported profit or equity.