

Islamic Financial Securities Company
(Closed Qatari Shareholding Company)

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

30 JUNE 2005

**REVIEW REPORT TO THE BOARD OF DIRECTORS OF
ISLAMIC FINANCIAL SECURITIES COMPANY
(CLOSED QATARI SHAREHOLDING COMPANY)**

We have reviewed the accompanying interim condensed balance sheet of Islamic Financial Securities Company (Closed Qatari Shareholding Company) as of 30 June 2005, and the related statements of income, cash flows and changes in equity for the six month period then ended. These interim condensed financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim condensed financial statements based on our review.

We conducted our review in accordance with the International Standard on Review engagements No. 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed financial statements are free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not presented fairly, in all material respects, in accordance with International Accounting Standard 34.



A. Mekhael, F.C.C.A.
of Ernst & Young
Auditor's Registration No. 59

Date: 25 July 2005
Doha

UNAUDITED INCOME STATEMENT

Six Months Ended 30 June 2005

	<i>Note</i>	<i>Six months ended</i>	
		30 June 2005 QR (Reviewed)	30 June 2004 QR (Reviewed)
Commission income		26,809,038	8,368,360
Commission expense		<u>(13,481,613)</u>	<u>(2,892,352)</u>
NET COMMISSION INCOME		13,327,425	5,476,008
Other operating income	3	6,474,753	239,916
Other operating expenses		-	(36,666)
General and administration expenses		(2,756,220)	(593,400)
Depreciation charges		<u>(85,958)</u>	<u>(36,664)</u>
PROFIT FROM OPERATIONS		16,960,000	5,049,194
Finance costs		(51,800)	(29,353)
Other expenses		<u>(13,562)</u>	<u>(2,949)</u>
NET PROFIT FOR THE PERIOD		<u>16,894,638</u>	<u>5,016,892</u>

The attached notes 1 to 7 form part of these interim condensed financial statements.

UNAUDITED BALANCE SHEET

At 30 June 2005

	<i>Notes</i>	<i>Six months ended</i>	
		<i>30 June 2005 QR (Reviewed)</i>	<i>31 December 2004 QR (Audited)</i>
ASSETS			
Non-current assets			
Furniture and equipment		606,236	607,929
Investment properties		7,921,026	9,347,668
		<u>8,527,262</u>	<u>9,955,597</u>
Current assets			
Held for trading investment		6,097,291	1,172,106
Accounts receivable and prepayments		13,439,013	4,798,000
Bank balances and cash		102,633,764	44,591,584
		<u>122,170,068</u>	<u>50,561,690</u>
TOTAL ASSETS		<u>130,697,330</u>	<u>60,517,287</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	4	10,000,000	5,000,000
Legal reserve	5	980,006	980,006
Retained earnings		17,464,705	6,820,067
Total equity		<u>28,444,711</u>	<u>12,800,073</u>
Non-current liabilities			
Employees' end of service benefits		61,507	46,098
Current liabilities			
Accounts payable and accruals		98,391,112	39,042,271
Bank overdraft		-	3,799,039
Short term loan		3,800,000	4,829,806
		<u>102,191,112</u>	<u>47,671,116</u>
TOTAL EQUITY AND LIABILITIES		<u>130,697,330</u>	<u>60,517,287</u>

.....
 Ezzat Mohamed Al Rasheed
 Managing Director

.....
 Abdul Basit Ahmed Al Shaibei
 BOD Member

The attached notes 1 to 7 form part of these interim condensed financial statements.

UNAUDITED STATEMENT OF CASH FLOWS

Six Months Ended 30 June 2005

	<i>Six months ended</i>	
	<i>30 June</i>	<i>30 June</i>
	<i>2005</i>	<i>2004</i>
	<i>QR</i>	<i>QR</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
OPERATING ACTIVITIES		
Net profit for the year	16,894,638	5,016,892
Adjustments for:		
Depreciation	85,958	36,664
Interest expense	51,800	29,353
Provision for employees' end of service benefits	26,955	-
Net (gain) loss on fair value adjustments	(2,408,458)	(119,270)
Gain from sale of investment properties	(2,352,332)	-
	<u>12,298,561</u>	4,963,639
Operating profit before working capital changes:		
Receivables	(8,641,013)	4,453,233
Payables	59,348,841	5,759,101
	<u>63,006,389</u>	15,175,973
Cash from operations		
Interest paid	(51,800)	(29,353)
Employees' end of service benefits paid	(11,546)	-
	<u>62,943,043</u>	15,146,620
Net cash from operating activities		
INVESTING ACTIVITIES		
Purchase of plant and equipment	(84,265)	(104,481)
Purchase of investment properties	(7,921,026)	-
Proceeds from sale of investment properties	11,700,000	-
Purchase of financial securities	(2,516,727)	(272,170)
	<u>1,177,982</u>	(376,651)
Net cash from (used in) investing activities		
FINANCING ACTIVITIES		
Payment for short term loan	(4,829,806)	-
Short term loan	3,800,000	-
Cash dividend paid	(1,250,000)	-
	<u>(2,279,806)</u>	-
Net cash used in financing activities		
INCREASE IN CASH AND CASH EQUIVALENTS	61,841,219	14,769,969
Cash and cash equivalents at the beginning of the period	40,792,545	(4,363,540)
	<u>102,633,764</u>	<u>10,406,429</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD		

The attached notes 1 to 7 form part of these interim condensed financial statements.

UNAUDITED STATEMENT OF CHANGES IN EQUITY

Six Months Ended 30 June 2005

	<i>Share capital QR</i>	<i>Legal reserve QR</i>	<i>Retained earnings QR</i>	<i>Total QR</i>
Balance at 1 January 2004	<u>3,000,000</u>	<u>222,475</u>	<u>2,002,283</u>	<u>5,224,758</u>
Changes in equity for the period				
Net profit for the period	<u>-</u>	<u>-</u>	<u>5,016,892</u>	<u>5,016,892</u>
Total recognised income and expenses for the period	<u>-</u>	<u>-</u>	<u>5,016,892</u>	<u>5,016,892</u>
Bonus shares issued	<u>2,000,000</u>	<u>-</u>	<u>(2,000,000)</u>	<u>-</u>
Balance at 30 June 2004	<u>5,000,000</u>	<u>222,475</u>	<u>5,019,175</u>	<u>10,241,650</u>
Balance at 1 January 2005	<u>5,000,000</u>	<u>980,006</u>	<u>6,820,067</u>	<u>12,800,073</u>
Changes in equity for the period				
Net profit for the period	<u>-</u>	<u>-</u>	<u>16,894,638</u>	<u>16,894,638</u>
Total recognised income and expenses for the period	<u>-</u>	<u>-</u>	<u>16,894,638</u>	<u>16,894,638</u>
Bonus shares issued	<u>5,000,000</u>	<u>-</u>	<u>(5,000,000)</u>	<u>-</u>
Dividends paid	<u>-</u>	<u>-</u>	<u>(1,250,000)</u>	<u>(1,250,000)</u>
Balance at 30 June 2005	<u>10,000,000</u>	<u>980,006</u>	<u>17,464,705</u>	<u>28,444,711</u>

The attached notes 1 to 7 form part of these interim condensed financial statements.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2005

1 ACTIVITIES

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

These interim condensed financial statements of Islamic Financial Securities Company (Closed Qatari Shareholding Company) were authorised for issue by the Company's management on 25 July 2005.

2 ACCOUNTING POLICIES

The interim condensed financial statements are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2004.

Revenue recognition

Commissions are accounted for on the completion of the brokerage deal. It is calculated in accordance with rates stated by Doha Securities Market.

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

Fixed assets

Fixed assets are stated at cost net of accumulated depreciation. The cost of fixed assets is depreciated using straight line method over the estimated useful lives of the assets.

Held of trading investments

After initial recognition, investments classified as "held for trading" are remeasured at fair value. Unrealised gains and losses are including in the income statement for the period.

Investment property

Land and buildings are considered investment properties only when they are being held to earn rentals or for long term appreciation or both. Investment properties are stated at cost less accumulated depreciation and any impairment in value.

3 OTHER OPERATING INCOME

	<i>30 June</i> <i>2005</i> <i>QR</i> <i>(Reviewed)</i>	<i>30 June</i> <i>2004</i> <i>QR</i> <i>(Reviewed)</i>
Profit on sale of investment properties	2,352,332	39,545
Miscellaneous income	1,713,963	81,101
Net gain on fair value adjustment of investments	<u>2,408,458</u>	<u>119,270</u>
	<u>6,474,753</u>	<u>239,916</u>

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
30 June 2005

4 CAPITAL

	<i>30 June 2005 QR (Reviewed)</i>	<i>31 December 2004 QR (Audited)</i>
Issued and fully paid	<u>10,000,000</u>	<u>5,000,000</u>

During the period, the Company resolved to increase the capital by QR 5,000,000 through the issue of 3 bonus shares to each 3 shares owned as of that date.

5 LEGAL RESERVE

In accordance with Qatar Commercial Companies' Law, 10% of the profit for the period shall be taken to a statutory reserve until this reserve equals 50% of the capital. No transfer has been made for the period ended 30 June 2005 as the company will transfer the total amount by 31 December 2005.

6 CONTINGENT LIABILITIES

At 30 June 2005 the Company had contingent liabilities amounting to QR 20,000,000 (31 December 2004 : QR 2,500,000) in respect of bank and other guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

7 COMPARATIVE FIGURES

The corresponding figures have been reclassified in order to confirm with the presentation for the current period. Such reclassifications do not affect the previous reported net profit or shareholders' equity.