

Islamic Financial Securities Company (Q.S.C.)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2007

**REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO
THE BOARD OF DIRECTORS OF ISLAMIC FINANCIAL SECURITIES COMPANY
(Q.S.C.)**

We have reviewed the accompanying interim condensed financial statements of Islamic Financial Securities Company (Q.S.C.) as at 30 June 2007, comprising of the interim balance sheet as at 30 June 2007 and the related interim statement of income, cash flow and changes in shareholders' equity for the six month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard "IAS 34 Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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.

Firas Qoussous
of Ernst & Young
Auditor's Registration No. 236

Date: 21 July 2007
Doha

INTERIM INCOME STATEMENT

For the six months period ended 30 June 2007

	<i>Note</i>	<i>For the six months ended 30 June</i> 2007 <i>QR</i> <i>(Unaudited)</i>	<i>2006</i> <i>QR</i> <i>Unaudited)</i>
Commission income		9,173,439	9,972,091
Commission expense		<u>(2,619,991)</u>	<u>(3,841,753)</u>
NET COMMISSION INCOME		6,553,448	6,130,338
Other operating income (expenses)	3	321,810	(3,457,126)
General and administration expenses		<u>(3,589,548)</u>	(3,519,006)
Depreciation charges		<u>(851,774)</u>	<u>(457,945)</u>
Operating Profit (loss)		2,433,936	(1,303,739)
Finance costs		<u>(57,569)</u>	(25,978)
Other expenses		<u>(26,972)</u>	<u>(22,613)</u>
PROFIT (LOSS) FOR THE PERIOD		<u>2,349,395</u>	<u>(1,352,330)</u>

The attached notes 1 to 8 form part of these interim condensed financial statements.

INTERIM BALANCE SHEET

At 30 June 2007

	<i>Notes</i>	30 June 2007 QR (Unaudited)	31 December 2006 QR (Audited)
ASSETS			
Non-current assets			
Furniture and equipment		<u>4,763,119</u>	<u>5,570,468</u>
Current assets			
Accounts receivable and prepayments		9,866,019	7,257,325
Available-for-sale investments		2,277,105	7,230,507
Cash and bank balances	4	<u>91,523,257</u>	<u>168,187,038</u>
		<u>103,666,381</u>	<u>182,674,870</u>
TOTAL ASSETS		<u>108,429,500</u>	<u>188,245,338</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	5	20,000,000	20,000,000
Legal reserve	6	4,445,221	4,445,221
Retained earnings		4,864,390	6,116,995
Fair value reserve		<u>574,130</u>	<u>137,089</u>
Total equity		<u>29,883,741</u>	<u>30,699,305</u>
Non-current liabilities			
Employees' end of service benefits		<u>306,924</u>	<u>223,703</u>
Current liabilities			
Accounts payable and accruals		64,832,914	128,228,739
Bank overdrafts	4	<u>13,405,921</u>	<u>29,093,591</u>
		<u>78,238,835</u>	<u>157,322,330</u>
Total liabilities		<u>78,545,759</u>	<u>157,546,033</u>
TOTAL EQUITY AND LIABILITIES		<u>108,429,500</u>	<u>188,245,338</u>

.....
 Sheikh Thani Bin Abdullah Al Thani
 Chairman of BOD

.....
 Sheikh Khalid Bin Thani Bin Abdullah Al Thani
 Vice Chairman of BOD and Chief Executive

The attached notes 1 to 8 form part of these interim condensed financial statements.

INTERIM CASH FLOW STATEMENT

For the six months period ended 30 June 2007

	<i>For the six months ended 30 June</i>	
	2007	2006
<i>Note</i>	QR	QR
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit (loss) for the period	2,349,395	(1,352,330)
Adjustments for:		
Depreciation	851,774	457,945
Interest expense	57,569	25,978
Provision for employees' end of service benefits	83,221	73,116
Net loss on fair value adjustments	1,405,955	5,310,585
Loss from disposal of property and equipment	-	2,500
Operating profit before working capital changes:	4,747,914	4,517,794
Receivables	(2,633,444)	11,290,697
Payables	(63,371,075)	10,767,106
Cash (used in) from operations	(61,256,605)	26,575,597
Interest paid	(57,569)	(25,978)
Employees' end of service benefits paid	-	(12,266)
Net cash (used in) from operating activities	(61,314,174)	26,537,353
INVESTING ACTIVITIES		
Purchase of furniture and equipment	(44,425)	(3,819,580)
Proceeds from sale of investment securities	4,855,857	-
Purchase of financial securities	(871,369)	(6,517,463)
Proceeds from disposal of furniture and equipment	-	142,000
Net cash from (used in) investing activities	3,940,063	(10,195,043)
FINANCING ACTIVITIES		
Dividends paid	(3,200,000)	(14,800,000)
Board of Directors and Shari'a Board remuneration	(402,000)	(840,000)
Net cash used in financing activities	(3,602,000)	(15,640,000)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(60,976,111)	702,310
Cash and cash equivalents at 1 January	4 139,093,447	116,690,141
CASH AND CASH EQUIVALENTS AT 30 JUNE	4 78,117,336	117,392,451

The attached notes 1 to 8 form part of these interim condensed financial statements.

Islamic Financial Securities Company (Q.S.C)

INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2007

	<i>Share capital QR</i>	<i>Legal reserve QR</i>	<i>Fair value reserve QR</i>	<i>Retained earnings QR</i>	<i>Total QR</i>
Balance at 1 January 2006	<u>10,000,000</u>	<u>4,040,532</u>	<u>-</u>	<u>28,114,800</u>	<u>42,155,332</u>
Board of Directors' remuneration	-	-	-	(800,000)	(800,000)
Shari'a Board's remuneration	-	-	-	(40,000)	(40,000)
Total income and expense for the period recognised directly in equity	-	-	-	(840,000)	(840,000)
Loss for the period	-	-	-	(1,352,330)	(1,352,330)
Total recognised income and expenses for the period	-	-	-	(2,192,330)	(2,192,330)
Bonus shares issued	10,000,000	-	-	(10,000,000)	-
Dividends paid	-	-	-	(14,800,000)	(14,800,000)
Balance at 30 June 2006	<u>20,000,000</u>	<u>4,040,532</u>	<u>-</u>	<u>1,122,470</u>	<u>25,163,002</u>
Balance at 1 January 2007	<u>20,000,000</u>	<u>4,445,221</u>	<u>137,089</u>	<u>6,116,995</u>	<u>30,699,305</u>
Net movement in fair value reserve	-	-	437,041	-	437,041
Board of Directors' remuneration	-	-	-	(402,000)	(402,000)
Total income and expense for the period recognised directly in equity	-	-	437,041	(402,000)	35,041
Profit for the period	-	-	-	2,349,395	2,349,395
Total recognised income and expenses for the period	-	-	437,041	1,947,395	2,384,436
Dividends paid	-	-	-	(3,200,000)	(3,200,000)
Balance at 30 June 2007	<u>20,000,000</u>	<u>4,445,221</u>	<u>574,130</u>	<u>4,864,390</u>	<u>29,883,741</u>

The attached notes 1 to 8 form part of these interim condensed financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2007

1 ACTIVITIES

Islamic Financial Securities Company (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.

The Company had decided in the Board meeting held on 22 September 2006 to change to Qatari public shareholding Company. The Company has obtained approval from the Ministry of Economy and commerce on 26 December 2006.

These interim condensed financial statements of Islamic Financial Securities Company (Qatari Shareholding Company) were authorised for issue by the Company's management on 21 July 2007.

2 SIGNIFICANT 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 2006.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the 6 months ended 30 June 2007 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2007.

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended, 31 December 2006, except for the adoption of the new standard, noted below. Adoption of this standard did not have any effect of the financial position or performance of the Company.

IFRIC 10 Interim Financial Reporting and Impairment

The Company adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

Basis of preparation

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments.

The accounting policies are consistent with those used in the previous year.

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.

Furniture and equipment

Furniture and equipment is stated at cost net of accumulated depreciation. The cost of furniture and equipment is depreciated using straight line method over the estimated useful lives of the assets.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2007

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Available-for-sale investments

Available-for-sale investments are initially recorded at cost which is the fair value paid up including the purchase cost relating to the assets. Subsequent to initial recognition, investments are classified under "Available-for-sale" and re-measured at fair value. Unrealised gains and losses are included separately under equity until the investment is derecognised or determined to be impaired. Upon derecognition or impairment of the investment, the cumulative loss or gain previously included in equity is taken to the income statement.

In the event of objective evidence on impairment of certain investment, the recoverable amount of the investment is determined and any impairment is recognised in the income statement as a provision for impairment of investments.

Amounts recovered from previously reported losses resulting from impairment of available-for-sale investments are reversed as increases in cumulative changes in fair value under equity.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using the present value of expected cash flows or any other method used. In the absence of any reliable method for measuring these investments, they are included at cost less any impairment

3 OTHER OPERATING INCOME (EXPENSES)

	<i>30 June 2007 QR (Reviewed)</i>	<i>30 June 2006 QR (Reviewed)</i>
(Loss) profit on sale of investments	(1,405,955)	25,859
Miscellaneous income	1,727,765	1,827,603
Net (Loss) gain on revaluation of investments at fair value	<u>-</u>	<u>(5,310,588)</u>
	<u>321,810</u>	<u>(3,457,126)</u>

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement include the following balance sheet amounts:

	<i>30 June 2007 QR (Reviewed)</i>	<i>31 December 2006 QR (Audited)</i>
Bank balances and cash	91,523,257	168,187,038
Bank overdrafts	<u>(13,405,921)</u>	<u>(29,093,591)</u>
	<u>78,117,336</u>	<u>139,093,447</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2007

5 CAPITAL

	<i>30 June 2007 QR (Reviewed)</i>	<i>31 December 2006 QR (Audited)</i>
Issued and fully paid (2,000,000 shares)	<u>20,000,000</u>	<u>20,000,000</u>

6 LEGAL RESERVE

In accordance with Qatar Commercial Companies' Law No.5 of 2002, 10% of the profit for the year 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 2007 as the company will transfer the total amount by 31 December 2007.

7 CONTINGENT LIABILITIES

At 30 June 2007 the Company had contingent liabilities amounting to QR 42,000,000 (31 December 2006 : QR 20,000,000) 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.

8 RELATED PARTIES

Related parties represent major shareholders, directors and key management personnel of the Company. Pricing policies and terms of these transactions are approved by the Company's management.

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

	<i>30 June 2007 QR (Reviewed)</i>	<i>30 June 2006 QR (Reviewed)</i>
Revenue Commission	<u>442,279</u>	<u>-</u>

	<i>30 June 2007 QR (Reviewed)</i>	<i>30 June 2006 QR (Reviewed)</i>
Salaries and other benefits	<u>133,000</u>	<u>96,000</u>