

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX MONTH PERIOD ENDED
JUNE 30, 2012**

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
WITH THE INDEPENDENT AUDITOR'S REVIEW REPORT

For the six month period ended June 30, 2012

Independent auditor's review report --

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INDEPENDENT AUDITOR'S REVIEW REPORT

**The Board of Directors
Islamic Holding Group (Q.S.C)
Doha – Qatar**

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Islamic Holding Group (Q.S.C.) “the Group”, which comprise the interim condensed consolidated statement of financial position as of June 30, 2012 and the related interim condensed consolidated statements of income and comprehensive income for the three and six month periods then ended, the interim condensed consolidated statements of changes in shareholders’ equity and cash flows for the six month period then ended, and selected explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard: IAS 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard No. (34), “Interim Financial Reporting”.

For **Deloitte & Touche**

Doha - Qatar
....., 2012

Midhat Salha
License No. 257

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 As at June 30, 2012

| | Note | June 30, 2012 (Reviewed) QR. | December 31, 2011 (Audited) QR. |
|---|------|------------------------------------|---------------------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and bank balances | 4 | 428,162,288 | 437,365,341 |
| Bank balances and customers' funds | 5 | 128,695,253 | 130,417,751 |
| Due from customers | | 632,573 | 577,511 |
| Prepayments and other assets | 6 | 2,688,929 | 2,670,335 |
| Total Current Assets | | 560,179,043 | 571,030,938 |
| Non-Current Assets: | | | |
| Available-for-sale investments | | 8,942,431 | 3,401,074 |
| Property and equipment | | 1,596,326 | 1,975,020 |
| Total Non-Current Assets | | 10,538,757 | 5,376,094 |
| Total Assets | | 570,717,800 | 576,407,032 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Liabilities | | | |
| Current Liabilities | | | |
| Due to customers | 7 | 126,779,839 | 131,936,557 |
| Due to a related party from Wakala contracts | 8 | 400,000,000 | 400,000,000 |
| Accruals and other credit balances | | 221,824 | 809,565 |
| Total Current Liabilities | | 527,001,663 | 532,746,122 |
| Non-Current Liabilities | | | |
| Employees' end of service benefits | | 905,763 | 836,768 |
| Total liabilities | | 527,907,426 | 533,582,890 |
| Shareholders' Equity | | | |
| Paid up share capital | 9 | 30,000,000 | 30,000,000 |
| Legal reserve | | 8,692,474 | 8,692,474 |
| Retained earnings | | 4,410,432 | 224,268 |
| Fair value reserve | | (292,532) | (92,600) |
| Proposed dividends | | -- | 4,000,000 |
| Total Shareholders' Equity | | 42,810,374 | 42,824,142 |
| Total Liabilities and Shareholders' Equity | | 570,717,800 | 576,407,032 |

Dr. Yousuf Ahmad Hussain Al Nama
Chairman & Managing Director

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
 For the three and six month period ended June 30, 2012

| | Note | For the three month period ended | | For the six month period ended | |
|--|------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | | June 30, 2012 (Reviewed) QR. | June 30, 2011 (Reviewed) QR. | June 30, 2012 (Reviewed) QR. | June 30, 2011 (Reviewed) QR. |
| Revenue | | | | | |
| Brokerage and commission income | | 5,313,298 | 3,860,705 | 10,660,921 | 9,170,082 |
| Brokerage and commission expense | | (1,511,683) | (1,084,507) | (3,042,953) | (2,591,970) |
| Brokerage and commission income, net | | 3,801,615 | 2,776,198 | 7,617,968 | 6,578,112 |
| Income from saving accounts with Islamic banks | | 599,132 | 709,568 | 1,143,653 | 1,292,776 |
| Gain on sale of available of sale investments | | 110,350 | 19,582 | 138,228 | 200,484 |
| Income from Wakala contracts | | -- | 320,000 | 120,000 | 320,000 |
| Other income | | 42,685 | 2,035 | 58,548 | 10,575 |
| Net operating profit | | 4,553,782 | 3,827,383 | 9,078,397 | 8,401,947 |
| Expenses | | | | | |
| General and administrative expenses | | (2,069,220) | (2,437,682) | (4,399,796) | (4,703,884) |
| Depreciation expense | | (185,832) | (227,754) | (383,702) | (446,734) |
| Finance and bank charges | | (54,117) | (58,179) | (108,735) | (115,810) |
| Total expenses | | (2,309,169) | (2,723,615) | (4,892,233) | (5,266,428) |
| Net income for the period | | 2,244,613 | 1,103,768 | 4,186,164 | 3,135,519 |
| Earnings per share | 10 | 0.56 | 0.28 | 1.05 | 0.78 |

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three and six month period ended June 30, 2012

| | <u>For the three month period ended</u> | | <u>For the six month period ended</u> | |
|---|---|---|---|---|
| | <u>June 30, 2012</u> <u>(Reviewed)</u> | <u>June 30, 2011</u> <u>(Reviewed)</u> | <u>June 30, 2012</u> <u>(Reviewed)</u> | <u>June 30, 2011</u> <u>(Reviewed)</u> |
| | QR. | QR. | | |
| Net income for the period | 2,244,613 | 1,103,768 | 4,186,164 | 3,135,519 |
| Other comprehensive income items: | | | | |
| Changes in fair value of available for sale investments | <u>(215,783)</u> | <u>21,034</u> | <u>(199,932)</u> | <u>(82,182)</u> |
| Total comprehensive income for the period | <u>2,028,830</u> | <u>1,124,802</u> | <u>3,986,232</u> | <u>3,053,337</u> |

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

ISLAMIC HOLDING GROUP (Q.S.C.)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six month period ended June 30, 2012

| | Paid up Share Capital | Legal Reserve | Retained Earnings | Fair Value Reserve | Proposed Dividends | Total |
|--|----------------------------------|--------------------------|------------------------------|-------------------------------|-------------------------------|-------------------|
| | QR. | QR. | QR. | QR. | QR. | QR. |
| Balance – January 1, 2011 (Audited) | 30,000,000 | 8,228,426 | 163,848 | 8,550 | 4,000,000 | 42,400,824 |
| Total comprehensive income for the period | -- | -- | 3,135,519 | (82,182) | -- | 3,053,337 |
| Dividends paid | -- | -- | -- | -- | (4,000,000) | (4,000,000) |
| Balance - June 30, 2011 (Reviewed) | 30,000,000 | 8,228,426 | 3,299,367 | (73,632) | -- | 41,454,161 |
| Balance – January 1, 2012 (Audited) | 30,000,000 | 8,692,474 | 224,268 | (92,600) | 4,000,000 | 42,824,142 |
| Total comprehensive income for the period | -- | -- | 4,186,164 | (199,932) | -- | 3,986,232 |
| Dividends paid | -- | -- | -- | -- | (4,000,000) | (4,000,000) |
| Balance - June 30, 2012 (Reviewed) | 30,000,000 | 8,692,474 | 4,410,432 | (292,532) | -- | 42,810,374 |

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 For the six month period ended June 30, 2012

| | For the six month period ended | |
|---|---------------------------------------|---------------|
| | June 30, 2012 | June 30, 2011 |
| | (Reviewed) | (Reviewed) |
| | QR. | QR. |
| OPERATING ACTIVITIES | | |
| Net income for the period | 4,186,164 | 3,135,519 |
| Adjustments for: | | |
| Depreciation expense | 383,702 | 446,734 |
| Finance and bank charges | 108,735 | 115,810 |
| Income from saving accounts with Islamic banks | (1,143,653) | (1,292,776) |
| Profit from sale of available for sale investments | (138,228) | (200,484) |
| Income from Wakala contracts | (120,000) | (320,000) |
| Provision for employees' end of service benefits | 132,769 | 54,190 |
| | 3,409,489 | 1,938,993 |
| Bank balances and customers' funds | 1,722,498 | (11,889,385) |
| Due from customers | (55,062) | 1,697,823 |
| Prepayments and other assets | (18,594) | (3,112,114) |
| Due to customers | (5,156,718) | 13,106,551 |
| Due to a related party from Wakala contracts | -- | 1,100,000,000 |
| Accruals and other credit balances | (587,741) | 1,183,341 |
| | (686,128) | 1,102,925,209 |
| Employees' end of service benefits paid | (63,774) | -- |
| Net Cash (used in) / from Operating Activities | (749,902) | 1,102,925,209 |
| INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (5,009) | (340,103) |
| Purchases of available for sale investments | (14,140,567) | (5,509,466) |
| Proceeds from sale of available for sale investments | 8,537,507 | 4,995,608 |
| Income from Wakala contracts | 120,000 | 320,000 |
| Income from saving accounts with Islamic banks | 1,143,653 | 1,292,776 |
| Net Cash (used in) / from Investing Activities | (4,344,416) | 758,815 |

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

GROUP (Q.S.C.)
(FORMERLY “ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C.)”)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six month period ended June 30, 2012

| | <u>Note</u> | <u>For the six month period ended</u> | |
|---|-------------|---------------------------------------|-----------------|
| | | June 30, 2012 | June 30, 2011 |
| | | (Reviewed) | (Reviewed) |
| | | QR. | QR. |
| FINANCING ACTIVITIES | | | |
| Finance and bank charges | | (108,735) | (115,810) |
| Dividends paid | | (4,000,000) | (4,000,000) |
| Fixed deposits | | -- | (1,100,000,000) |
| Net Cash used in Financing Activities | | (4,108,735) | (1,104,115,810) |
| Net decrease in cash and bank balances | | (9,203,053) | (431,786) |
| Cash and bank balances – beginning of the period | | 37,365,341 | 35,112,839 |
| Cash and bank balances - End of the Period | 4 | 28,162,288 | 34,681,053 |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended June 30, 2012

1. GENERAL INFORMATION

Islamic Financial Securities Company was established as a Qatari Private shareholding Company and is registered in the Commercial Registration under No. 26337. The main activities of the Company are investing in shares and bonds, brokerage services in Doha Securities Market according to the Islamic Sharea'a. The Company works according to the Qatar Commercial Companies' Law No. 5 of 2002 and Doha Securities Market 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 of the Ministry of Economy and Trade on December 26, 2006. The Company shares were listed in Doha Securities Market on March 3, 2008.

The Shareholders in their General Assembly meeting held on December 28, 2008 and based on the Board of Directors resolution in its meeting 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 approval of the Financial Market Authority and the approval of Ministry of Business and Trade on July 19, 2010.

These consolidated financial statements include the financial statements of the Company 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 period, 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 this period.

These interim condensed consolidated financial statements were approved by the Board of Directors on, 2012.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 For the six month period ended June 30, 2012

2. ACCOUNTING POLICIES

These interim condensed consolidated financial statements are prepared in accordance with IAS 34 “Interim Financial Reporting”. The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2011. These interim condensed consolidated financial statements should be read in conjunction with the 2011 annual financial statements and notes attached thereto.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, the results for the six month period ended June 30, 2012 are not necessarily indicative of the results that may be expected for the full financial year ending December 31, 2012.

3. SEGMENT INFORMATION

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

4. CASH AND BANK BALANCES

| | June 30, 2012 | December 31, 2011 |
|------------------|----------------------|-------------------|
| | (Reviewed) | (Audited) |
| | QR. | QR. |
| Current accounts | 8,148,265 | 7,151,796 |
| Saving accounts | 20,014,023 | 30,213,545 |
| Term deposits | 400,000,000 | 400,000,000 |
| | 428,162,288 | 437,365,341 |

5. BANK BALANCES AND CUSTOMERS’ FUNDS

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 For the six month period ended June 30, 2012

6. PREPAYMENTS AND OTHER ASSETS

| | June 30, 2012 | December 31, 2011 |
|---------------------|-------------------------|-------------------|
| | (Reviewed) | (Audited) |
| | QR. | QR. |
| Refundable deposits | 2,000,250 | 2,000,250 |
| Prepaid expenses | 683,943 | 655,991 |
| Other assets | 4,736 | 14,094 |
| Total | <u>2,688,929</u> | <u>2,670,335</u> |

7. DUE TO CUSTOMERS

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

8. DUE TO A RELATED PARTY FROM WAKALA CONTRACTS

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 agreements the Group will receive a fixed amount against the investment amounting to QR. 120,000.

9. SHARE CAPITAL

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 For the six month period ended June 30, 2012

10. EARNINGS PER SHARE

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

| | <u>For the three month period ended</u> | | <u>For the six month period ended</u> | |
|-----------------------------------|---|-----------------------------|---|-----------------------------|
| | <u>June 30, 2012</u> <u>(Reviewed)</u> | June 30, 2011 (Reviewed) | <u>June 30, 2012</u> <u>(Reviewed)</u> | June 30, 2011 (Reviewed) |
| Net income for the period (QR) | 2,244,613 | 1,103,768 | 4,186,164 | 3,135,519 |
| Weighted average number of shares | 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 |
| Earnings per share (QR) | 0.56 | 0.27 | 1.05 | 0.78 |

11. RELATED PARTIES 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 period, related parties transactions were as follows:

| | <u>For the six month period ended</u> | |
|--------------------------------|--|------------------------------------|
| | <u>June 30, 2012</u> <u>(Reviewed)</u> QR. | June 30, 2011 (Reviewed) QR. |
| Commission income, net | 570,544 | 662,276 |
| Income from Mudaraba contracts | 120,000 | 320,000 |

12. KEY MANAGEMENT REMUNERATION

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

| | <u>For the six month period ended</u> | |
|---------------------|--|------------------------------------|
| | <u>June 30, 2012</u> <u>(Reviewed)</u> QR. | June 30, 2011 (Reviewed) QR. |
| Short term benefits | 607,600 | 258,000 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended June 30, 2012

13. CONTINGENT LIABILITIES

| | June 30, 2012 (Reviewed) | December 31, 2011 (Audited) |
|----------------------|---|--------------------------------|
| | <u>QR.</u> | <u>QR.</u> |
| Letters of guarantee | <u>485,000,000</u> | <u>485,000,000</u> |