

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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

30 September 2007

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

Introduction

We have reviewed the accompanying interim condensed financial statements of Islamic Financial Securities Company (Q.S.C.) (the “Company”) as at 30 September 2007, comprising of the interim balance sheet as at 30 September 2007 and the related interim statement of income, cash flow and changes in shareholders’ equity for the nine 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”. Our responsibility is to express a conclusion on these interim condensed 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 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.

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.

Emphasis of Matter

Without qualifying our opinion, we draw attention that the financial statements of the nine month ended 30 September 2006 were not reviewed and our opinion does not relate to the results of the period, and that it is presented for comparison purposes only.

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

Date: 16 January 2008
Doha

Islamic Financial Securities Company (Q.S.C)

INTERIM INCOME STATEMENT

For the nine months period ended 30 September 2007

	<i>For the nine months ended 30 September</i>		
	<i>2007 QR (Reviewed)</i>	<i>2006 QR Unaudited)</i>	
Commission income	12,658,390	17,627,749	
Commission expense	(3,639,516)	(6,850,366)	
NET COMMISSION INCOME	9,018,874	10,777,383	
Profit from bank accounts	2,211,900	1,999,070	
Net (Loss)/profit from sale of investments	(1,313,218)	730,005	
(Loss) from Revaluation of investments	-	(5,310,589)	
Other income	309,420	-	
Total operating income	10,226,976	8,195,869	
General and administration expenses	(5,067,799)	(4,837,045)	
Depreciation charges	(1,276,937)	(850,899)	
Finance costs	(83,335)	(48,429)	
Total operating expenses	(6,428,071)	(5,736,373)	
PROFIT FOR THE PERIOD	3,798,905	2,459,496	
	<i>Note</i>	<i>2007 QR</i>	<i>2006 QR</i>
Basic earning			
Basic (QR)	6	0.95	0.61
Diluted (QR)	6	0.95	0.61

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

Islamic Financial Securities Company (Q.S.C)

INTERIM BALANCE SHEET

At 30 September 2007

	<i>Notes</i>	30 September 2007 QR (Reviewed)	31 December 2006 QR (Audited)
ASSETS			
Non-current assets			
Furniture and equipment		<u>4,349,705</u>	<u>5,570,468</u>
Current assets			
Accounts receivable and prepayments		4,455,407	7,257,325
Available-for-sale investments		3,881,395	7,230,507
Cash on hand and bank balances	3	<u>135,723,331</u>	<u>168,187,038</u>
		<u>144,060,133</u>	<u>182,674,870</u>
TOTAL ASSETS		<u>148,409,838</u>	<u>188,245,338</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	4	20,000,000	20,000,000
Legal reserve	5	4,445,221	4,445,221
Retained earnings		6,313,900	6,116,995
Fair value reserve		<u>855,070</u>	<u>137,089</u>
Total equity		<u>31,614,191</u>	<u>30,699,305</u>
Non-current liabilities			
Employees' end of service benefits		<u>336,682</u>	<u>223,703</u>
Current liabilities			
Accounts payable and accruals		63,705,022	128,228,739
Bank overdraft	3	<u>52,753,943</u>	<u>29,093,591</u>
		<u>116,458,965</u>	<u>157,322,330</u>
Total liabilities		<u>116,795,647</u>	<u>157,546,033</u>
TOTAL EQUITY AND LIABILITIES		<u>148,409,838</u>	<u>188,245,338</u>

.....
Thani Bin Abdullah Al Thani
Chairman

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Khalid Bin Thani Bin Abdullah Al Thani
Vice Chairman and Chief Executive

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

Islamic Financial Securities Company (Q.S.C)

INTERIM CASH FLOW STATEMENT

For the nine months period ended 30 September 2007

	<i>For the nine months ended 30 September</i>	
	<i>2007</i>	<i>2006</i>
<i>Note</i>	<i>QR</i> <i>(Reviewed)</i>	<i>QR</i> <i>(Unaudited)</i>
OPERATING ACTIVITIES		
Profit (loss) for the period	3,798,905	2,459,496
Adjustments for:		
Depreciation	1,276,937	850,999
Finance costs	83,335	48,429
Provision for employees' end of service benefits	113,820	146,232
Net loss on sale of financial securities	1,313,218	4,580,584
Operating profit before working capital changes:	6,586,215	8,085,740
Receivables and prepayments	2,801,918	17,184,012
Payables and accruals	(64,523,717)	187,003
Cash (used in) from operations	(55,135,584)	25,456,755
Finance costs paid	(83,335)	(48,429)
Employees' end of service benefits paid	(841)	(121,382)
Net cash (used in) from operating activities	(55,219,760)	25,286,944
INVESTING ACTIVITIES		
Purchase of furniture and equipment	(56,174)	(3,626,578)
Purchase of available for sale investments	(5,217,440)	-
Proceeds from sale of available for sale investments	7,971,315	808,000
Purchase of Trading investments	-	(14,781,552)
Proceeds from sale of Trading investments	-	11,034,756
Proceeds from disposal of furniture and equipment	-	142,000
Net cash from (used in) investing activities	2,697,701	(6,423,374)
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	(56,124,059)	3,223,570
Cash and cash equivalents at 1 January	139,093,447	116,690,141
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	3 82,969,388	119,913,711

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 nine months period ended 30 September 2007

	<i>Share capital QR</i>	<i>Legal 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>28,114,800</u>	<u>42,155,332</u>
Board of Directors' remuneration	<u>-</u>	<u>-</u>	<u>(840,000)</u>	<u>(840,000)</u>
Total income and expense for the period recognised directly in equity	-	-	(840,000)	(840,000)
Loss for the period	<u>-</u>	<u>-</u>	<u>2,459,496</u>	<u>2,459,496</u>
Total recognised income and expenses for the period	-	-	1,619,496	1,619,496
Bonus shares issued	10,000,000	-	(10,000,000)	-
Dividends paid	<u>-</u>	<u>-</u>	<u>(14,800,000)</u>	<u>(14,800,000)</u>
Balance at 30 September 2006	<u>20,000,000</u>	<u>4,040,532</u>	<u>4,934,296</u>	<u>28,974,828</u>

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

Islamic Financial Securities Company (Q.S.C)

	<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 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>
Board of Directors' remuneration	-	-	-	(402,000)	(402,000)
Net movement in fair value reserve	-	-	<u>717,981</u>	-	<u>717,981</u>
Total income and expense for the period recognised directly in equity	-	-	717,981	(402,000)	315,981
Profit for the period	-	-	<u>-</u>	<u>3,798,905</u>	<u>3,798,905</u>
Total recognised income and expenses for the period	-	-	717,981	3,396,905	4,114,886
Dividends paid for 2006	-	-	<u>-</u>	<u>(3,200,000)</u>	<u>(3,200,000)</u>
Balance at 30 September 2007	<u>20,000,000</u>	<u>4,445,221</u>	<u>855,070</u>	<u>6,313,900</u>	<u>31,614,191</u>

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

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 has decided in the Board meeting of Director held on 22 September 2006 to change to Qatari public shareholding Company. The Company has obtained, the approval form 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 on 16 January 2008

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, the financial results for the nine months ended 30 September 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 on the position or financial performance of the Company.

IFRIC 10 Interim Financial Reporting and Impairment

The Company adopted IFRIC 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 investments in either an equity instrument or a financial asset carried at cost.

Financial statements are prepared in Qatari Riyal which is the Company's financial and presentational currency.

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.

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 CASH AND CASH EQUIVALENTS

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

	<i>30 September 2007 QR</i>	<i>31 December 2006 QR</i>
Bank balances and cash	135,723,331	168,187,038
Bank overdrafts	<u>(52,753,943)</u>	<u>(29,093,591)</u>
	<u>82,969,388</u>	<u>139,093,447</u>

4 CAPITAL

	<i>30 September 2007 QR</i>	<i>31 December 2006 QR</i>
Shares	<u>20,000,000</u>	<u>20,000,000</u>

The Company authorized capital as of 30 September 2007 equal to 4 Millions shares (2006:2 Millions) with nominal value of QR10 per share (2006: QR 10).The issued capital is amounting to 4 Millions shares (2006: 2 Million) for which QR 20 Million were paid (2006: QR 20 Million) which represents 50% of the authorized and issued capital.

5 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 this reserve is not normally available for distribution, except in circumstances stipulated in the above mentioned law. No transfer has been made for the period ended 30 September 2007 as the company will transfer the total amount by 31 December 2007.

6 EARNING PER SHARE

Basic earning per share is calculated by dividing profit for the period by the weighted average number of share out standing during the period.

	<i>30 September 2007 QR (Reviewed)</i>	<i>30 September 2006 QR (Unaudited)</i>
Profit for the period (QR)		
Weighted average number of out standing shares	<u>4,000,000</u>	<u>4,000,000</u>
Earning per share	<u>0.95</u>	<u>0.61</u>
The weighted average number of share were computed as follow:		
Number of share at 1 January	<u>2,000,000</u>	2,000,000
Issued shares	<u>2,000,000</u>	<u>2,000,000</u>
Total	<u>4,000,000</u>	<u>4,000,000</u>

There were no dilutive shares outstanding during the period, hence, the dilutive earning per share is equal to the basic earning per share.

If the earning per share were not modified due to the issuance of new shares, the basic earning per share for the period ended 30 September 2006 will be QR 1.23 per share.

7 CONTINGENT LIABILITIES

At 30 September 2007 the Company had contingent liabilities amounting to QR 40,000,000 (31 December 2006 : QR 20,000,000) represents of bank and other guarantees arising in the ordinary course of business for 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 September 2007 QR (Reviewed)</i>	<i>30 September 2006 QR (Reviewed)</i>
Net Revenue Commission	<u>650,066</u>	<u>337,332</u>
	<i>30 September 2007 QR (Reviewed)</i>	<i>30 September 2006 QR (Reviewed)</i>
Salaries and other benefits	<u>402,000</u>	<u>840,000</u>