

**ISLAMIC HOLDING GROUP (Q.S.C.)
(PREVIOUSLY “ISLAMIC FINANCIAL
SECURITIES COMPANY (Q.S.C.)”)
DOHA - QATAR**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR’S REVIEW REPORT
FOR THE NINE MONTH PERIOD ENDED
SEPTEMBER 30, 2010**

ISLAMIC HOLDING GROUP (Q.S.C.)

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

WITH THE INDEPENDENT AUDITOR’S REVIEW REPORT

For the nine month period ended September 30, 2010

Independent auditor’s review report on the interim condensed consolidated financial statements --

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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 of the interim condensed consolidated financial position as of September 30, 2010 and the related interim condensed consolidated statements of income and comprehensive income for the three month and nine month periods then ended, the interim condensed consolidated statements of changes in shareholders’ equity and cash flows for the nine 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
_____, 2010**

**Midhat Salha
License No. 257**

ISLAMIC HOLDING GROUP (Q.S.C.)**(PREVIOUSLY “ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C.)”)****INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at September 30, 2010

	Note	September 30, 2010 (Reviewed)	December 31, 2009 (Audited)
		QR.	QR.
ASSETS			
Current Assets			
Cash and bank balances	4	234,430,279	60,050,950
Bank balances – customers’ funds	5	93,373,596	37,105,752
Due from customers		2,880,489	1,101,948
Prepayments and other debit balances	6	3,124,489	12,759,782
		<u>333,808,853</u>	<u>111,018,432</u>
Non-Current Assets			
Available-for-sale investments		3,994,881	4,549,239
Property and equipment		865,072	1,108,754
Total Non-Current Assets		<u>4,859,953</u>	<u>5,657,993</u>
Total Assets		<u>338,668,806</u>	<u>116,676,425</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current Liabilities			
Due to customers	7	96,102,562	61,498,263
Due to a related party from Wakala contracts	8	200,000,000	--
Accruals and other credit balances		107,399	11,977,166
Total Current Liabilities		<u>296,209,961</u>	<u>73,475,429</u>
Non-Current Liabilities			
Employees' end of service benefits		705,077	622,477
Total liabilities		<u>296,915,038</u>	<u>74,097,906</u>
Shareholders' Equity			
Paid up share capital	9	30,000,000	30,000,000
Legal reserve		7,828,418	7,828,418
Retained earnings		3,841,111	563,772
Fair value reserve		84,239	186,329
Proposed dividends		--	4,000,000
Total Shareholders' Equity		<u>41,753,768</u>	<u>42,578,519</u>
Total Liabilities and Shareholders' Equity		<u>338,668,806</u>	<u>116,676,425</u>

Dr. Khaled Bin Thani Bin Abdulla Al Thani
Chairman

Abdul-Basit Ahmad Al-Sheibi
Managing Director

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

ISLAMIC HOLDING GROUP (Q.S.C.)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the three and nine month period ended September 30, 2010

	Note	<u>For the three month period ended</u>		<u>For the nine month period ended</u>	
		<u>September 30,</u> <u>2010</u> <u>(Reviewed)</u> <u>QR.</u>	<u>September 30,</u> <u>2009</u> <u>(Reviewed)</u> <u>QR.</u>	<u>September 30,</u> <u>2010</u> <u>(Reviewed)</u> <u>QR.</u>	<u>September 30,</u> <u>2009</u> <u>(Reviewed)</u> <u>QR.</u>
<u>Revenue:</u>					
Brokerage and commission income		2,525,625	3,137,471	10,717,909	11,311,504
Brokerage and commission expense		(678,975)	(801,295)	(2,861,505)	(2,926,768)
Net brokerage and Commission Income		1,846,650	2,336,176	7,856,404	8,384,736
Income from deposits in Islamic banks		589,700	578,797	1,863,237	1,886,002
Gain / (loss) on sale of available-for-sale investments		68,847	--	82,395	(65,742)
Impairment loss on available-for-sale investments		--	--	(5,260)	(294,898)
Income from Mudaraba contracts		--	227,830	285,000	1,528,192
Other income		--	27,397	200,519	1,122,148
Net Operating Profit		2,505,197	3,170,200	10,282,295	12,560,438
<u>Expenses:</u>					
General and administrative expenses		(1,972,273)	(2,250,283)	(6,171,419)	(6,833,811)
Depreciation expense		(146,683)	(394,453)	(727,285)	(1,180,361)
Finance and bank charges		(34,888)	(57,807)	(106,252)	(189,473)
Total Expenses		(2,153,844)	(2,702,543)	(7,004,956)	(8,203,645)
Net Income for the Period		351,353	467,657	3,277,339	4,356,793
Earnings per share (QR.)	10	0.09	0.12	0.82	1.09

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

ISLAMIC HOLDING GROUP (Q.S.C.)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and nine month period ended September 30, 2010

	<u>For the three month period ended</u>		<u>For the nine month period ended</u>	
	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>
	<u>2010 (Reviewed)</u>	<u>2009 (Reviewed)</u>	<u>2010 (Reviewed)</u>	<u>2009 (Reviewed)</u>
	QR.	QR.	QR.	QR.
Net profit for the period	351,353	467,657	3,277,339	4,356,793
Other comprehensive income items				
Net (loss) / profit on available for sale valuation	(47,000)	44,099	(102,090)	265,348
Total comprehensive income for the period	304,353	511,756	3,175,249	4,622,141

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

ISLAMIC HOLDING GROUP (Q.S.C.)**(PREVIOUSLY “ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C.)”)****INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the nine month period ended September 30, 2010

	<u>Paid – up capital</u>	<u>Legal reserve</u>	<u>Retained earnings</u>	<u>Fair value reserve</u>	<u>Proposed dividends</u>	<u>Total</u>
	<u>QR.</u>	<u>QR.</u>	<u>QR.</u>	<u>QR.</u>	<u>QR.</u>	<u>QR.</u>
Balance – January 1, 2009 (Audited)	20,000,000	7,341,941	185,476	72,980	16,600,000	44,200,397
Comprehensive income for the period	--	--	4,356,793	265,348	--	4,622,141
Transferred to share capital	10,000,000	--	--	--	(10,000,000)	--
Dividends paid	--	--	--	--	(6,600,000)	(6,600,000)
Balance – September 30, 2009 (Reviewed)	30,000,000	7,341,941	4,542,269	338,328	--	42,222,538
Balance – January 1, 2010 (Audited)	30,000,000	7,828,418	563,772	186,329	4,000,000	42,578,519
Comprehensive income for the period	--	--	3,277,339	(102,090)	--	3,175,249
Dividends paid	--	--	--	--	(4,000,000)	(4,000,000)
Balance – September 30, 2010 (Reviewed)	30,000,000	7,828,418	3,841,111	84,239	--	41,753,768

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

ISLAMIC HOLDING GROUP (Q.S.C.)**(PREVIOUSLY “ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C.)”)****INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the nine month period ended September 30, 2010

	<u>For the nine month period ended</u>	
	September 30, 2010	September 30, 2009
	(Reviewed)	(Reviewed)
	QR.	QR.
OPERATING ACTIVITIES		
Net income for the period	3,277,339	4,356,793
Adjustments for:		
Depreciation	727,285	1,180,361
Finance and bank charges	106,252	189,473
Income from deposits in Islamic banks	(1,863,237)	(1,886,002)
(Gain) / Loss from sale of available-for-sale investments	(82,387)	65,740
Impairment loss on available-for-sale investments	5,260	294,898
Income from Mudaraba contracts	(285,000)	(1,528,192)
Loss on sale of property , plant & equipment	418	--
Provision for employees' end of service benefits	115,077	127,998
	2,001,007	2,801,069
Bank balances – customers' funds	(56,267,844)	29,096,428
Due from customers	(1,778,541)	(3,253,663)
Prepayments and other assets	9,635,293	(6,361,490)
Due to customers	34,604,299	(23,592,554)
Due to a related party from Wakala contracts	200,000,000	5,869,869
Accruals and other liabilities	(11,869,767)	(2,725,922)
	176,324,447	1,833,737
Employees' end of service benefits paid	(32,477)	(55,897)
Net Cash Flow from Operating Activities	176,291,970	1,777,840
INVESTING ACTIVITIES		
Acquisition of property and equipment	(484,021)	(146,649)
Acquisition of available-for-sale investments	(2,715,522)	(2,156,051)
Proceeds from sale of available-for-sale investments	3,244,917	2,090,311
Income from Mudaraba contracts	285,000	1,528,192
Income from deposits in Islamic banks	1,863,237	1,886,002
Net Cash from Investing Activities	2,193,611	3,201,805
FINANCING ACTIVITIES		
Finance and bank charges	(106,252)	(189,473)
Dividends paid	(4,000,000)	(6,600,000)
Net Cash used in Financing Activities	(4,106,252)	(6,789,473)
Net increase (decrease) in cash and bank balances	174,379,329	(1,809,828)
Cash and bank balances – Beginning of the period	60,050,950	640,193,145
Cash and bank balances - End of the Period	234,430,279	638,383,317

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

ISLAMIC HOLDING GROUP (Q.S.C.)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended September 30, 2010

1. COMPANY’S ACTIVITY

Islamic Financial Securities Company was established as a Qatari Public shareholding Company in the State of Qatar on July 7, 2003 and is registered in the Commercial Registration under No. 26337. In 2010 the name of the Company was changed from Islamic Financial Securities Company (Q.S.C.) to Islamic Holding Group (Q.S.C.) (the “Company”), based on resolutions by the shareholders in the General Assembly held on December 28, 2008 and the Board of Directors in their meeting held on August 22, 2010.

These consolidated financial statements include the financial statements of the Company and its subsidiary company “Islamic Financial Securities Company” (herein after “the Group”). Islamic Financial Securities Company (the subsidiary company) was registered in the State of Qatar under Commercial Registration No. 46645 as a one Shareholder Company on July 19, 2010. It is fully owned by the Islamic Holding Group (Q.S.C.). The Subsidiary company provides brokerage services.

The Group works according to the Qatar Commercial Companies’ Law No. 5 of 2002 and Doha Securities Market Regulations.

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.

These interim condensed consolidated financial statements were approved by the Board of Directors on 2010.

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 financial statements for the year ended December 31, 2009.

These interim condensed consolidated financial statements should be read in conjunction with the 2009 annual financial statements and the 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 nine month period ended September 30, 2010 are not necessarily indicative of the results that may be expected for the full financial year ending December 31, 2010.

ISLAMIC HOLDING GROUP (Q.S.C.)**(PREVIOUSLY “ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C.)”)****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the nine month period ended September 30, 2010

3. SEGMENT REPORTING

The Islamic Holding Group (Q.S.C.) operates in one major business segment represents in financial investments and managing the subsidiary companies only in the State of Qatar. For the subsidiary company (Islamic Financial Securities Company) operates in one major business segment represent in brokerage services only in the State of Qatar .The assets, liabilities and the relating operating performance for both operating segments were presented separately in the statement of financial position and the statement of income.

4. CASH AND BANK BALANCES

	September 30, 2010	December 31, 2009
	(Reviewed)	(Audited)
	QR.	QR.
Term deposits	<u>234,430,279</u>	<u>60,050,950</u>
Total	<u>234,430,279</u>	<u>60,050,950</u>

5. BANK BALANCES – CUSTOMERS’ FUNDS

Represent bank balances for the customers, which the subsidiary 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.

6. PREPAYMENTS AND OTHER ASSETS

	September 30, 2010	December 31, 2009
	(Reviewed)	(Audited)
	QR.	QR.
Accrued income on deposits with Islamic banks	--	12,217,999
Refundable deposits	2,031,344	124,525
Prepaid expenses	1,093,145	417,258
Total	<u>3,124,489</u>	<u>12,759,782</u>

7. DUE TO CUSTOMERS

Due to customers represents amounts deposited by customers against trading transactions performed by the Group on their behalf.

ISLAMIC HOLDING GROUP (Q.S.C.)**(PREVIOUSLY “ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C.)”)****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the nine month period ended September 30, 2010

8. DUE TO A RELATED PARTY FROM WAKALA CONTRACTS

During the third quarter of the year 2010 the Group entered into Wakala agreement with a related party, Qatar International Islamic Bank (the “Bank”), amounting to QR. 200 million. According to the agreement, the Group invests the amount on behalf of the Bank for 3 months with banks and financial institutions (Local / Foreign) according to the Islamic Sharea for agreed fees amounting to QR.100,000.

9. SHARE CAPITAL

	September 30, 2010	December 31, 2009
	(Reviewed)	(Audited)
	QR.	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	75%	75%
Paid-up share capital (QR.)	30,000,000	30,000,000

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:

	For the three month period ended		For the nine month period ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
Net income for the period (QR)	351,353	467,657	3,277,339	4,356,793
Weighted average number of shares	4,000,000	4,000,000	4,000,000	4,000,000
Basic of diluted earnings per share (QR)	0.09	0.12	0.82	1.09

ISLAMIC HOLDING GROUP (Q.S.C.)**(PREVIOUSLY “ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C.)”)****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the nine month period ended September 30, 2010

11. RELATED PARTIES TRANSACTIONS

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

During the period, related parties transactions were as follows:

	<u>For the nine month period ended</u>	
	September 30, 2010 (Reviewed)	September 30, 2009 (Reviewed)
	QR.	QR.
Commission income, net	847,349	471,394
Income from Mudaraba contracts	285,000	1,528,192

12. KEY MANAGEMENT REMUNERATION

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

	<u>For the nine months period ended</u>	
	September 30, 2010 (Reviewed)	September 30, 2009 (Reviewed)
	QR.	QR.
Short term benefits	144,000	144,000

13. CONTINGENT LIABILITIES

	September 30, 2010 (Reviewed)	December 31, 2009 (Audited)
	QR.	QR.
Letters of guarantee	252,500,000	52,500,000