

**ISLAMIC FINANCIAL SECURITIES**

**COMPANY (Q.S.C)**

**DOHA - QATAR**

**INTERIM CONDENSED FINANCIAL STATEMENTS**

**FOR THE THREE MONTH PERIOD ENDED**

**MARCH 31, 2010**

**TOGETHER WITH INDEPENDENT**

**AUDITOR'S REVIEW REPORT**

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2010

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**QR. 80518**

## **INDEPENDENT AUDITOR'S REVIEW REPORT**

**The Chairman and the Board of Directors  
Islamic Financial Securities Company (Q.S.C)  
Doha – Qatar**

### ***Introduction***

We have reviewed the accompanying interim condensed financial statements of Islamic Financial Securities Company (QSC), which comprise the interim statement of financial position as of March 31, 2010 and the interim statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three month period then ended, and selected explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting 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 condensed 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 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  
April 18, 2010**

**Muhammad O. Bahemia  
License No. 103**

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

INTERIM STATEMENT OF FINANCIAL POSITION

As at March 31, 2010

	Note	March 31, 2010 (Reviewed) QR.	December 31, 2009 (Audited) QR.
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and bank balances	4	438,453,112	41,831,316
Bank balances – customers’ funds	5	75,611,941	39,815,598
Due from customers		11,064,443	1,101,948
Due from Qatar Exchange		--	15,509,788
Prepayments and other debit balances	6	7,552,507	12,759,782
<b>Total Current Assets</b>		<b>532,682,003</b>	<b>111,018,432</b>
<b>Non-Current Assets:</b>			
Available-for-sale investments		4,537,931	4,549,239
Property and equipment		1,024,754	1,108,754
<b>Total Non-Current Assets</b>		<b>5,562,685</b>	<b>5,657,993</b>
<b>Total Assets</b>		<b>538,244,688</b>	<b>116,676,425</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Due to customers	7	86,853,553	61,498,263
Due to a related party from Mudaraba contracts	8	400,000,000	--
Due to Qatar Exchange		7,234,051	--
Accruals and other credit balances		4,164,659	11,977,166
<b>Total Current Liabilities</b>		<b>498,252,263</b>	<b>73,475,429</b>
<b>Non-Current Liabilities</b>			
Employees' end of service benefits		630,677	622,477
<b>Total liabilities</b>		<b>498,882,940</b>	<b>74,097,906</b>
<b>Shareholders' Equity</b>			
Paid up share capital	9	30,000,000	30,000,000
Retained earnings		1,353,041	563,772
Legal reserve		7,828,418	7,828,418
Fair value reserve		180,289	186,329
Proposed dividends		--	4,000,000
<b>Total Shareholders' Equity</b>		<b>39,361,748</b>	<b>42,578,519</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>538,244,688</b>	<b>116,676,425</b>

**DR. Khaled Bin Thani Bin Abdulla Al Thani**  
 Chairman

**Abdulbasit Ahmad Al-Shaibei**  
 Managing Director

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

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

INTERIM STATEMENT OF INCOME

For the three month period ended March 31, 2010

	Note	For the three month period ended	
		March 31, 2010	March 31, 2009
		(Reviewed)	(Reviewed)
		QR.	QR.
<b>Revenue</b>			
Brokerage and commission income		2,979,046	2,658,767
Brokerage and commission expense		(765,763)	(636,578)
<b>Brokerage and commission income, net</b>		<b>2,213,282</b>	2,022,189
Income from deposits with Islamic banks		611,076	546,449
Loss on investments		--	(122,350)
Income from Mudaraba contracts		218,500	706,699
Other income		102,513	92,891
<b>Net operating profit</b>		<b>3,145,371</b>	3,245,878
<b>Expenses</b>			
General and administrative expenses		(2,006,534)	(2,207,576)
Depreciation expense		(310,956)	(394,956)
Finance and bank charges		(38,612)	(68,800)
<b>Total expenses</b>		<b>(2,356,102)</b>	(2,671,332)
<b>Net income for the period</b>		<b>789,269</b>	574,546
<b>Earnings per share</b>	10	<b>0.20</b>	0.14

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

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three month period ended March 31, 2010

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	<b>For the three month period ended</b>	
	<b>March 31, 2010</b>	March 31, 2009
	<b>(Reviewed)</b>	(Reviewed)
	<b>QR.</b>	QR.
<b>Net profit for the period</b>	<b>789,269</b>	574,546
<b>Other comprehensive income</b>		
Net loss on revaluation of available for sale investments	<b>(6,040)</b>	(320,000)
<b>Total other comprehensive income for the period</b>	<b>783,229</b>	254,546

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

**ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)**

**INTERIM STATEMENT OF CHANGES IN EQUITY**

For the three month period ended March 31, 2010

	<u>Capital</u>	<u>Retained Earnings</u>	<u>Legal Reserve</u>	<u>Fair Value Reserve</u>	<u>Proposed Dividends</u>	<u>Total</u>
	QR.	QR.	QR.	QR.	QR.	QR.
<b>Balance – January 1, 2009 (Audited)</b>	<b>20,000,000</b>	<b>185,476</b>	<b>7,341,941</b>	<b>72,980</b>	<b>16,600,000</b>	<b>44,200,397</b>
Comprehensive income for the period	--	574,546	--	(320,000)	--	254,546
Transferred to share capital *	10,000,000	--	--	--	(10,000,000)	--
Dividends paid for 2008	--	--	--	--	(6,600,000)	(6,600,000)
<b>Balance - March 31, 2009 (Reviewed)</b>	<b>30,000,000</b>	<b>760,022</b>	<b>7,341,941</b>	<b>(247,020)</b>	<b>--</b>	<b>37,854,943</b>
<b>Balance – January 1, 2010 (Audited)</b>	<b>30,000,000</b>	<b>563,772</b>	<b>7,828,418</b>	<b>186,329</b>	<b>4,000,000</b>	<b>42,578,519</b>
Comprehensive income for the period	--	789,269	--	(6,040)	--	783,229
Dividends paid for 2008	--	--	--	--	(4,000,000)	(4,000,000)
<b>Balance - March 31, 2010 (Reviewed)</b>	<b>30,000,000</b>	<b>1,353,041</b>	<b>7,828,418</b>	<b>180,289</b>	<b>--</b>	<b>39,361,748</b>

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

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

INTERIM STATEMENT OF CASH FLOWS

For the three month period ended March 31, 2010

	<u>For the three month period ended</u>	
	<u>March 31, 2010</u>	<u>March 31, 2009</u>
	<u>Note</u> <u>(Reviewed)</u>	<u>(Reviewed)</u>
	<u>QR.</u>	<u>QR.</u>
<b>OPERATING ACTIVITIES</b>		
Net income for the period	<b>789,269</b>	574,546
Adjustments for:		
Depreciation expense	<b>310,956</b>	394,956
Finance and bank charges	<b>38,612</b>	68,800
Income from deposits with Islamic banks	<b>(611,076)</b>	(546,449)
Income from Mudaraba contracts	<b>(218,500)</b>	(706,699)
Impairment losses on available for sale investments	<b>5,260</b>	122,350
Loss on sale of Property , plant and equipment	<b>417</b>	--
Provision for employees' end of service benefits	<b>40,677</b>	41,836
	<u><b>355,615</b></u>	<u>(50,660)</u>
Bank balances – customers' funds	<b>(35,796,343)</b>	37,633,501
Due from customers	<b>(9,962,495)</b>	(373,258)
Due from Qatar Exchange	<b>15,509,786</b>	(3,950,112)
Prepayments and other assets	<b>5,207,278</b>	(6,689,997)
Due to customers	<b>25,355,290</b>	(33,271,434)
Due to a related party from Mudaraba contracts	<b>400,000,000</b>	6,926,640
Due to Qatar Exchange	<b>7,234,051</b>	--
Accrued expenses and other liabilities	<b>(7,812,498)</b>	(2,800,016)
	<u><b>400,090,684</b></u>	<u>(2,575,336)</u>
Employees' end of service benefits paid	<b>(32,477)</b>	(55,897)
<b>Net cash generated from / (used in) operating activities</b>	<u><b>400,058,207</b></u>	<u>(2,631,233)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<b>(227,375)</b>	(19,115)
Income from Mudaraba contracts	<b>218,500</b>	706,699
Income from deposits with Islamic banks	<b>611,076</b>	546,449
<b>Net Cash From Investing Activities</b>	<u><b>602,201</b></u>	<u>1,234,033</u>

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



ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

INTERIM STATEMENT OF CASH FLOWS

For the three month period ended March 31, 2010

	<u>Note</u>	<u>For the three month period ended</u>	
		<u>March 31, 2010</u>	<u>March 31, 2009</u>
		<u>(Reviewed)</u>	<u>(Reviewed)</u>
		<u>QR.</u>	<u>QR.</u>
<b>FINANCING ACTIVITIES</b>			
Finance and bank charges		(38,612)	(68,800)
Dividends paid		(4,000,000)	(6,600,000)
<b>Net Cash Used in Financing Activities</b>		<u>(4,038,612)</u>	<u>(6,668,800)</u>
Net increase / (decrease) in cash and bank balances		<b>396,621,796</b>	(8,066,000)
Cash and bank balances – beginning of the period		<u>41,831,316</u>	640,193,145
<b>Cash and bank balances - End of the Period</b>	4	<u><b>438,453,112</b></u>	<u>632,127,145</u>

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

## ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2010

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#### **1. GENERAL INFORMATION**

Islamic Financial Securities Company “The Company” is a Qatari Public Shareholding Company is registered and incorporated in Qatar and engaged in the activity of trading as brokers in the Qatar Exchange. The Company is registered in the Commercial Register under No. 26337. The Company commenced its operations on June 15, 2003.

On September 22, 2006, the Board of Directors resolved to transform the Company to a Public Qatari Shareholding Company. The Company obtained the approval of the Ministry of Economy & Commerce on December 26, 2006 and its legal structure was changed from a Closed to Public Shareholding Company on that date. The shares of the Company were listed on the Qatar Exchange on March 3, 2008.

On December 28, 2008, the General Assembly resolved to convert the Company into a Holding Company. The legal formalities in respect of the change are still in progress.

The interim condensed financial statements were approved by the Board of Directors and authorised for issue on April 16, 2009.

#### **2. ACCOUNTING POLICIES**

These interim condensed financial statements are prepared in accordance with IAS 34, Interim Financial Reporting. The accounting policies used in the preparation of these interim condensed 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 financial statements should be read in conjunction with the 2008 annual financial statements and the notes attached thereto.

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 results for the three month period ended March 31, 2010 are not necessarily indicative of the results that may be expected for the full financial year ending December 31, 2010.

#### **3. SEGMENT INFORMATION**

The Company is organised into one main business segment, which comprises providing Islamic brokerage services in the state of Qatar only.

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2010

**4. CASH AND BANK BALANCES**

	<b>March 31, 2010</b>	December 31, 2009
	<b>(Reviewed)</b>	(Audited)
	<b>QR.</b>	QR.
Cash on hand	<b>2,000</b>	--
Saving accounts	<b>438,451,112</b>	41,831,316
<b>Total</b>	<b>438,453,112</b>	41,831,316

**5. BANK BALANCES – CUSTOMERS’ FUNDS**

Represents bank balances for the customers, which the Company holds in trust until the customers commit those funds to the purchase of shares following which the Company transfers the committed funds to the Company’s bank accounts and settles with the settlement authority.

**6. PREPAYMENTS AND OTHER ASSETS**

	<b>March 31, 2010</b>	December 31, 2009
	<b>(Reviewed)</b>	(Audited)
	<b>QR.</b>	QR.
Accrued revenues related to Mudaraba contracts	<b>4,083,333</b>	11,690,054
Refundable deposits	<b>2,093,531</b>	124,525
Accrued revenues from deposits with Islamic banks	<b>31,190</b>	527,945
Prepaid expenses	<b>1,344,452</b>	417,260
<b>Total</b>	<b>7,552,507</b>	12,759,784

**7. DUE TO CUSTOMERS**

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

**8. DUE TO A RELATED PARTY FROM MUDARABA CONTRACTS**

During the period, the Company entered into a Mudaraba agreement with Qatar Islamic International Bank (the “Bank”), whereby the Company invests a total amount of QR. 400,000,000 on behalf of the Bank for a share that varies between 4.5% - 6.5% of the Mudaraba investment income.

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2010

**9. SHARE CAPITAL**

	<b>March 31, 2010</b> <b>(Reviewed)</b>	December 31, 2009 <b>(Audited)</b>
	<b>QR.</b>	QR.
Authorized and issued share capital:		
4,000,000 shares with a value of QR.10 per share	<b>40,000,000</b>	40,000,000
Percentage of paid-up capital	<b>75%</b>	75%
Paid-up share capital (QR.)	<b>30,000,000</b>	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:

	<b><u>For the three months period ended</u></b>	
	<b>March 31, 2010</b> <b>(Reviewed)</b>	March 31, 2009 <b>(Reviewed)</b>
Net income for the period (QR)	<b>789,269</b>	574,546
Weighted average number of shares	<b>4,000,000</b>	4,000,000
Earnings per share (QR)	<b>0.20</b>	0.14

**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:

	<b><u>For the three months period ended</u></b>	
	<b>March 31, 2010</b> <b>(Reviewed)</b>	March 31, 2009 <b>(Reviewed)</b>
	<b>QR.</b>	QR.
Commission income, net	<b>209,277</b>	100,177
Returned commissions	<b>(87,063)</b>	(48,809)
Income from Mudaraba contracts	<b>218,500</b>	706,699

ISLAMIC FINANCIAL SECURITIES COMPANY (Q.S.C)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three month period ended March 31, 2010

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**12. KEY MANAGEMENT REMUNERATION**

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

	<b><u>For the three months period ended</u></b>	
	<b>March 31, 2010</b>	<b>March 31, 2009</b>
	<b>(Reviewed)</b>	<b>(Reviewed)</b>
	<b>QR.</b>	<b>QR.</b>
Short term benefits	<b>48,000</b>	<b>48,000</b>

**13. CONTINGENT LIABILITIES**

	<b>March 31, 2010</b>	<b>December 31, 2009</b>
	<b>(Reviewed)</b>	<b>(Audited)</b>
	<b>QR.</b>	<b>QR.</b>
Letters of guarantee	<b>452,500,000</b>	<b>697,500,000</b>