

**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 THREE MONTH PERIOD ENDED
MARCH 31, 2011**

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 three month period ended March 31, 2011

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 the interim condensed consolidated statement of financial position as of March 31, 2011 and the related interim condensed consolidated 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 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
April 17, 2011**

**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 March 31, 2011

	Note	March 31, 2011 (Reviewed)	December 31, 2010 (Audited)
		QR.	QR.
ASSETS			
Current Assets			
Cash and bank balances	4	832,981,299	35,112,839
Bank balances – customers’ funds	5	122,427,921	125,534,690
Due from customers		1,732,821	4,187,834
Prepayments and other debit balances	6	2,747,134	3,479,159
Total Current Assets		959,889,175	168,314,522
Non-Current Assets:			
Available-for-sale investments		4,020,580	2,787,882
Property and equipment		2,326,373	2,441,593
Total Non-Current Assets		6,346,953	5,229,475
Total Assets		966,236,128	173,543,997
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Current Liabilities			
Due to customers	7	124,114,652	127,849,658
Due to a related party from Wakala contracts	8	800,000,000	--
Accruals and other credit balances		1,009,740	2,549,063
Total Current Liabilities		925,124,392	130,398,721
Non-Current Liabilities			
Employees' end of service benefits		782,377	744,452
Total liabilities		925,906,769	131,143,173
Shareholders' Equity			
Paid up share capital (75%)	9	30,000,000	30,000,000
Retained earnings		2,195,599	163,848
Legal reserve		8,228,426	8,228,426
Fair value reserve		(94,666)	8,550
Proposed dividends		--	4,000,000
Total Shareholders' Equity		40,329,359	42,400,824
Total Liabilities and Shareholders' Equity		966,236,128	173,543,997

Dr. Khaled Bin Thani Bin Abdulla Al Thani
Chairman

Abdulbasit 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 month period ended March 31, 2011

	Note	For the three month period ended	
		March 31, 2011 (Reviewed)	March 31, 2010 (Reviewed)
		QR.	QR.
Revenue			
Brokerage and commission income		5,309,377	2,979,046
Brokerage and commission expense		(1,507,463)	(765,764)
Brokerage and commission income, net		3,801,914	2,213,282
Income from saving accounts with Islamic banks		583,208	611,076
Profit from sale of available of sale investments		180,902	--
Income from Mudaraba contracts		--	218,500
Other income		8,540	102,513
Net operating profit		4,574,564	3,145,371
Expenses			
General and administrative expenses		(2,266,202)	(2,006,534)
Depreciation expense		(218,980)	(310,956)
Finance and bank charges		(57,631)	(38,612)
Total expenses		(2,542,813)	(2,356,102)
Net income for the period		2,031,751	789,269
Earnings per share	10	0.51	0.20

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ISLAMIC HOLDING GROUP (Q.S.C.)

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three month period ended March 31, 2011

	For the three month period ended	
	March 31, 2011 (Reviewed)	March 31, 2010 (Reviewed)
	QR.	QR.
Net income for the period	2,031,751	789,269
Other comprehensive income		
Fair value loss on available for sale investments	(103,216)	(6,040)
Total comprehensive income for the period	1,928,535	783,229

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 three month period ended March 31, 2011

	Paid up Share Capital	Retained Earnings	Legal Reserve	Fair Value Reserve	Proposed Dividends	Total
	QR.	QR.	QR.	QR.	QR.	QR.
Balance – January 1, 2010 (Audited)	30,000,000	563,772	7,828,418	186,329	4,000,000	42,578,519
Total comprehensive income for the period	--	789,269	--	(6,040)	--	783,229
Dividends paid	--	--	--	--	(4,000,000)	(4,000,000)
Balance - March 31, 2010 (Reviewed)	30,000,000	1,353,041	7,828,418	180,289	--	39,361,748
Balance – January 1, 2011 (Audited)	30,000,000	163,848	8,228,426	8,550	4,000,000	42,400,824
Total comprehensive income for the period	--	2,031,751	--	(103,216)	--	1,928,535
Dividends paid	--	--	--	--	(4,000,000)	(4,000,000)
Balance - March 31, 2011 (Reviewed)	30,000,000	2,195,599	8,228,426	(94,666)	--	40,329,359

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 three month period ended March 31, 2011

	For the three month period ended	
	March 31, 2011	March 31, 2010
	Note	(Reviewed)
	QR.	QR.
OPERATING ACTIVITIES		
Net income for the period	2,031,751	789,269
Adjustments for:		
Depreciation expense	218,980	310,956
Finance and bank charges	57,631	38,612
Income from saving accounts with Islamic banks	(583,208)	(611,076)
Loss on sale of Property , plant and equipment	--	417
Income from Mudaraba contracts	--	(218,500)
Profit from sale of available for sale investments	(180,902)	--
Impairment losses on available for sale investments	--	5,260
Provision for employees’ end of service benefits	37,925	40,677
	1,582,177	355,615
Bank balances – customers’ funds	3,106,769	(35,796,343)
Due from customers	2,455,013	(9,962,495)
Due from Qatar Exchange	--	15,509,786
Prepayments and other assets	732,025	5,207,278
Due to customers	(3,735,006)	25,355,290
Due to a related party from Wakala contracts	800,000,000	400,000,000
Due to Qatar Exchange	--	7,234,051
Accrued expenses and other liabilities	(1,539,323)	(7,812,498)
	802,601,655	400,090,684
Employees’ end of service benefits paid	--	(32,477)
Net cash generated from operating activities	802,601,655	400,058,207
INVESTING ACTIVITIES		
Purchases of property and equipment	(103,760)	(227,375)
Purchases of available for sale investments	(4,718,718)	--
Proceeds from sale of available for sale investments	3,563,706	--
Income from Mudaraba contracts	--	218,500
Income from saving accounts with Islamic banks	583,208	611,076
Net Cash (Used in) / From Investing Activities	(675,564)	602,201

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

ISLAMIC HOLDING GROUP (Q.S.C.)

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three month period ended March 31, 2011

	Note	<u>For the three month period ended</u>	
		March 31, 2011	March 31, 2010
		(Reviewed)	(Reviewed)
		QR.	QR.
FINANCING ACTIVITIES			
Finance and bank charges		(57,631)	(38,612)
Dividends paid		(4,000,000)	(4,000,000)
Net Cash Used in Financing Activities		(4,057,631)	(4,038,612)
Net increase in cash and bank balances		797,868,460	396,621,796
Cash and bank balances – beginning of the period		35,112,839	41,831,316
Cash and bank balances - End of the Period	4	832,981,299	438,453,112

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

ISLAMIC HOLDING GROUP (Q.S.C.)

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2011

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.

On Board of Directors Meeting held on September 22, 2006 decided to change the Company to a Qatari Public Shareholding Company which was approved by the Ministry of Economy and Trade on December 26, 2006. The Company's 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 Economy 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" (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 consolidated financial statements were approved by the Board of Directors on April 17, 2011.

ISLAMIC HOLDING GROUP (Q.S.C.)

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2011

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, 2010.

These interim condensed consolidated financial statements should be read in conjunction with the 2010 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 three month period ended March 31, 2011 are not necessarily indicative of the results that may be expected for the full financial year ending December 31, 2011.

3. SEGMENT INFORMATION

The Group currently operates into business segments, financial brokerage and investments. Assets, liabilities and results of operations in respect of the 2 segments are separately reflected in the accompanying financial statements. The Group operates only in the State of Qatar.

4. CASH AND BANK BALANCES

	March 31, 2011	December 31, 2010
	(Reviewed)	(Audited)
	QR.	QR.
Cash on hand	4,000	--
Bank balances	832,977,299	35,112,839
Total	832,981,299	35,112,839

5. BANK BALANCES – 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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2011

6. PREPAYMENTS AND OTHER ASSETS

	March 31, 2011	December 31, 2010
	(Reviewed)	(Audited)
	QR.	QR.
Refundable deposits	2,000,250	2,000,250
Prepaid expenses	746,884	1,478,909
Total	<u>2,747,134</u>	<u>3,479,159</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 period, 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. 800,000,000 on behalf of the Bank. According to the agreements the Group will receive a specific amount against the investment amounting to QR. 320,000.

9. SHARE CAPITAL

	March 31, 2011	December 31, 2010
	(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.)	<u>30,000,000</u>	<u>30,000,000</u>

ISLAMIC HOLDING GROUP (Q.S.C.)

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2011

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 months period ended</u>	
	<u>March 31, 2011</u>	<u>March 31, 2010</u>
	<u>(Reviewed)</u>	<u>(Reviewed)</u>
Net income for the period (QR)	2,031,751	789,269
Weighted average number of shares	4,000,000	4,000,000
Earnings per share (QR)	<u>0.51</u>	<u>0.20</u>

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 three months period ended</u>	
	<u>March 31, 2011</u>	<u>March 31, 2010</u>
	<u>(Reviewed)</u>	<u>(Reviewed)</u>
	<u>QR.</u>	<u>QR.</u>
Commission income, net	946,192	209,277
Returned commissions	(493,153)	(87,063)
Income from Mudaraba contracts	--	218,500

12. KEY MANAGEMENT REMUNERATION

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

	<u>For the three months period ended</u>	
	<u>March 31, 2011</u>	<u>March 31, 2010</u>
	<u>(Reviewed)</u>	<u>(Reviewed)</u>
	<u>QR.</u>	<u>QR.</u>
Short term benefits	129,000	48,000

ISLAMIC HOLDING GROUP (Q.S.C.)

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2011

13. CONTINGENT LIABILITIES

	March 31, 2011	December 31, 2010
	(Reviewed)	(Audited)
	QR.	QR.
Letters of guarantee	<u>885,000,000</u>	<u>60,000,000</u>