

ISLAMIC HOLDING GROUP (Q.S.C.)

DOHA - QATAR

INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR'S REVIEW REPORT

FOR THE THREE MONTH PERIOD ENDED

MARCH 31, 2012

ISLAMIC HOLDING GROUP (Q.S.C.)

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

For the three month period ended March 31, 2012

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 consolidated statement of financial position as of March 31, 2012 and the related interim 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 11, 2012**

**Midhat Salha
License No. 257**

ISLAMIC HOLDING GROUP (Q.S.C.)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2012

	Note	March 31, 2012 (Reviewed) QR.	December 31, 2011 (Audited) QR.
ASSETS			
Current Assets			
Cash and bank balances	4	419,109,311	437,365,341
Bank balances – customers’ funds	5	191,564,415	130,417,751
Due from customers		3,191,261	577,511
Prepayments and other assets	6	2,678,091	2,670,335
Total Current Assets		616,543,078	571,030,938
Non-Current Assets:			
Available-for-sale investments		3,416,925	3,401,074
Property and equipment		1,782,159	1,975,020
Total Non-Current Assets		5,199,084	5,376,094
Total Assets		621,742,162	576,407,032
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Current Liabilities			
Due to customers	7	179,806,815	131,936,557
Due to a related party from Wakala contracts	8	400,000,000	400,000,000
Accrued expenses and other liabilities		219,199	809,565
Total Current Liabilities		580,026,014	532,746,122
Non-Current Liabilities			
Employees' end of service benefits		934,604	836,768
Total liabilities		580,960,618	533,582,890
Shareholders' Equity			
Paid up share capital (75%)	9	30,000,000	30,000,000
Retained earnings		2,165,819	224,268
Legal reserve		8,692,474	8,692,474
Fair value reserve		(76,749)	(92,600)
Proposed dividends		--	4,000,000
Total Shareholders' Equity		40,781,544	42,824,142
Total Liabilities and Shareholders' Equity		621,742,162	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

ISLAMIC HOLDING GROUP (Q.S.C.)

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three month period ended March 31, 20112

	<u>Note</u>	For the three month period ended	
		March 31, 2012	March 31, 2011
		(Reviewed)	(Reviewed)
		QR.	QR.
Revenue			
Brokerage and commission income		5,347,623	5,309,377
Brokerage and commission expense		(1,531,270)	(1,507,463)
Brokerage and commission income, net		3,816,353	3,801,914
Income from saving accounts with Islamic banks		544,521	583,208
Profit from sale of available of sale investments		27,878	180,902
Income from Mudaraba contracts		120,000	--
Other income		15,863	8,540
Net operating profit		4,524,615	4,574,564
Expenses			
General and administrative expenses		(2,330,576)	(2,266,202)
Depreciation expense		(197,870)	(218,980)
Finance and bank charges		(54,618)	(57,631)
Total expenses		(2,583,064)	(2,542,813)
Net income for the period		1,941,551	2,031,751
Earnings per share	10	0.48	0.51

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

ISLAMIC HOLDING GROUP (Q.S.C.)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three month period ended March 31, 2012

	For the three month period ended	
	March 31, 2012	March 31, 2011
	(Reviewed)	(Reviewed)
	QR.	QR.
Net income for the period	1,941,551	2,031,751
Other comprehensive income		
Changes in fair value of available for sale investments	15,851	(103,216)
Total comprehensive income for the period	1,957,402	1,928,535

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

ISLAMIC HOLDING GROUP (Q.S.C.)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three month period ended March 31, 2012

	Paid up Share Capital	Retained Earnings	Legal Reserve	Fair Value Reserve	Proposed Dividends	Total
	QR.	QR.	QR.	QR.	QR.	QR.
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
Balance – January 1, 2012 (Audited)	30,000,000	224,268	8,692,474	(92,600)	4,000,000	42,824,142
Total comprehensive income for the period	--	1,941,551	--	15,851	--	1,957,402
Dividends paid	--	--	--	--	(4,000,000)	(4,000,000)
Balance - March 31, 2012 (Reviewed)	30,000,000	2,165,819	8,692,474	(76,749)	--	40,781,544

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

ISLAMIC HOLDING GROUP (Q.S.C.)**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

For the three month period ended March 31, 2012

	For the three month period ended	
	March 31, 2012	March 31, 2011
	Note (Reviewed)	(Reviewed)
	QR.	QR.
OPERATING ACTIVITIES		
Net income for the period	1,941,551	2,031,751
Adjustments for:		
Depreciation expense	197,870	218,980
Finance and bank charges	54,618	57,631
Income from saving accounts with Islamic banks	(544,521)	(583,208)
Income from Mudaraba contracts	(120,000)	--
Profit from sale of available for sale investments	(27,878)	(180,902)
Provision for employees' end of service benefits	97,836	37,925
	1,599,476	1,582,177
Bank balances – customers' funds	(61,146,664)	3,106,769
Due from customers	(2,613,750)	2,455,013
Prepayments and other assets	(7,756)	732,025
Due to customers	47,870,258	(3,735,006)
Due to a related party from Wakala contracts	--	800,000,000
Accrued expenses and other liabilities	(590,366)	(1,539,323)
	(14,888,802)	802,601,655
Net cash (used in) / generated from operating activities		
INVESTING ACTIVITIES		
Purchases of property and equipment	(5,009)	(103,760)
Purchases of available for sale investments	(2,190,006)	(4,718,718)
Proceeds from sale of available for sale investments	2,217,884	3,563,706
Income from Mudaraba contracts	120,000	--
Income from saving accounts with Islamic banks	544,521	583,208
	687,390	(675,564)
Net cash generated from / (used in) investing activities		

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

ISLAMIC HOLDING GROUP (Q.S.C.)**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

For the three month period ended March 31, 2012

		<u>For the three month period ended</u>	
	<u>Note</u>	<u>March 31, 2012</u>	<u>March 31, 2011</u>
		<u>(Reviewed)</u>	<u>(Reviewed)</u>
		QR.	QR.
FINANCING ACTIVITIES			
Finance and bank charges		(54,618)	(57,631)
Dividends paid		(4,000,000)	(4,000,000)
Net cash used in financing activities		<u>(4,054,618)</u>	<u>(4,057,631)</u>
Net increase in cash and bank balances		(18,256,030)	797,868,460
Cash and bank balances – beginning of the period		<u>437,365,341</u>	<u>35,112,839</u>
Cash and bank balances - End of the Period	4	<u>419,109,311</u>	<u>832,981,299</u>

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

ISLAMIC HOLDING GROUP (Q.S.C.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 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.

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 11, 2012.

ISLAMIC HOLDING GROUP (Q.S.C.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 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 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, 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 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, 2012 (Reviewed)	March 31, 2011 (Audited)
	QR.	QR.
Cash on hand	5,000	4,000
Bank balances	419,104,311	832,977,299
Total	419,109,311	832,981,299

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.

ISLAMIC HOLDING GROUP (Q.S.C.)**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the three month period ended March 31, 2012

6. PREPAYMENTS AND OTHER ASSETS

	March 31, 2012 (Reviewed)	December 31, 2011 (Audited)
	QR.	QR.
Refundable deposits	2,000,250	2,000,250
Prepaid expenses	668,427	655,991
Other assets	9,414	14,094
Total	2,678,091	2,670,335

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 specific amount against the investment amounting to QR. 120,000.

9. SHARE CAPITAL

	March 31, 2012 (Reviewed)	December 31, 2011 (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:

	<u>For the three months period ended</u>	
	March 31, 2012 (Reviewed)	March 31, 2011 (Reviewed)
Net income for the period (QR)	1,941,551	2,031,751
Weighted average number of shares	4,000,000	4,000,000
Earnings per share (QR)	0.48	0.51

ISLAMIC HOLDING GROUP (Q.S.C.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended March 31, 2012

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, 2012</u>	<u>March 31, 2011</u>
	<u>(Reviewed)</u>	<u>(Reviewed)</u>
	<u>QR.</u>	<u>QR.</u>
Commission income, net	<u>438,078</u>	<u>946,192</u>
Income from Mudaraba contracts	<u>120,000</u>	<u>--</u>

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, 2012</u>	<u>March 31, 2011</u>
	<u>(Reviewed)</u>	<u>(Reviewed)</u>
	<u>QR.</u>	<u>QR.</u>
Short term benefits	<u>344,800</u>	<u>129,000</u>

13. CONTINGENT LIABILITIES

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