

**AL QURAIN HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES
(FORMERLY IRAQ HOLDING COMPANY K.S.C. (CLOSED))
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(All Amounts are in Kuwaiti Dinars)

24. Subsequent events

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified as financial assets carried at fair value through income statement (including trading securities).

Subsequent to the balance sheet date, as a result of the volatility in the local equity market, there has been a decline in some of the investments held by the group.

The declines in stock market indices subsequent to the balance sheet date up to 8 March 2009, and approximate impact on the group, were as follows:

	Effect on profit
Financial assets carried at fair value through income statement	(1,882,647)

25. Comparative figures

Certain of the prior year amounts have been reclassified to conform with the current year presentation.

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23. Capital risk management (Continued)

For the purpose of capital risk management, the total capital resources consist of the following components:

	<u>2008</u>	<u>2007</u>
Due to a bank	1,900,928	-
Borrowings	56,077,333	-
Less: cash and cash equivalents	(11,005,991)	(41,036,110)
Net debt	46,972,270	(41,036,110)
Total equity	43,252,252	63,500,387
Total capital resources	90,224,522	22,464,277
Gearing ratio %	52	-

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22. Financial risk management (Continued)

The management is in the process of negotiating the terms of the settlement of some of the short term facilities with the banks whereby these short term facilities will be converted into medium and long term facilities. The management is of the opinion that they will be able to renegotiate the terms of these short term facilities as contemplated at this stage (Note 10).

Equity price risk

Equity price risk is the risk that fair values of equities decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in equity securities classified as 'at fair value through statement of income' and 'available for sale'.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these investments, to which the Group had significant exposure at December 31, 2008:

	2008			2007		
	Change in equity price %	Effect on consolidated statement of income KD	Effect on equity KD	Change in equity price %	Effect on consolidated statement of income KD	Effect on equity KD
Market indices						
Kuwait Stock Exchange	± 5%	703,282	2,740,256	± 5%	1,055,438	-
Others	± 5%	126,589	-	-	-	-

Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from current bid prices, discounted cash flow models and other models as appropriate. At December 31, the fair values of financial instruments approximate their carrying amounts, except that it was not possible to reliably measure the fair value of most of the available-for-sale investments as indicated in Note 6.

23. Capital risk management

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

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22. Financial risk management (Continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable.

Maturity Table for Assets and liabilities

2008

	Amount		
	Less than one year	More than one year	Total
Cash and Cash Equivalents	11,005,991	-	11,005,991
Investments carried at fair value through income statement	16,597,436	-	16,597,436
Receivables and other debit balances	4,664,163	-	4,664,163
Available for sale investments	55,332,308	10,882,977	66,215,285
Investment in associates	1,049,121	5,505,217	6,554,338
Furniture and equipment	-	177,042	177,042
Goodwill	-	4,791,322	4,791,322
Total assets	88,649,019	21,356,558	110,005,577
Due to a bank	1,900,928	-	1,900,928
Borrowings	56,077,333	-	56,077,333
Accounts payable and other credit balances	8,775,064	-	8,775,064
Total Liabilities	66,753,325	-	66,753,325

2007

	Amount		
	Less than one year	More than one year	Total
Cash and Cash Equivalent	41,036,110	-	41,036,110
Investments carried at fair value through income statement	21,108,776	-	21,108,776
Receivable and other debit balances	349,263	-	349,263
Investment in associates	-	1,216,464	1,216,464
Furniture and equipment	27,984	-	27,984
Total assets	62,522,133	1,216,464	63,738,597
Accounts payable and other credit balances	238,210	-	238,210
Total Liabilities	238,210	-	238,210

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22. Financial risk management (Continued)

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group. The table below shows the credit quality by class of asset for related balance sheet lines, based on the Group's credit rating system.

	Neither past due nor impaired			Total KD
	High Grade KD	Standard Grade KD	Past due or Impaired KD	
	2008			
Cash and cash equivalents	-	9,339,936	-	9,339,936
Receivables and other debit balances	-	4,664,163	-	4,664,163
	-	14,004,099	-	14,004,099
	Neither past due nor impaired			
	High Grade KD	Standard Grade KD	Past due or Impaired KD	Total KD
2007				
Cash and cash equivalents	975,544	40,059,293	-	41,034,837
Receivables and other debit balances	-	349,263	-	349,263
	975,544	40,408,556	-	41,384,100

Foreign currency risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between USD, Swiss Franc and Kuwaiti Dinar.

	Increase / (Decrease) against KD	Effect on consolidated statement of income KD
2008		
USD	± 5%	6,634
Swiss Franc	± 5%	(8)

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22. Financial risk management (Continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash at banks, short term deposits and receivables. The Group's bank accounts and short term deposits are placed with high credit rating financial institutions. The bank accounts of the Group are distributed among different banks without concentrating on a single bank. Receivables are presented net of allowance for doubtful debts.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks, short term deposits and accounts receivable.

	Gross maximum exposure 2008 KD	Gross maximum exposure 2007 KD
Cash and cash equivalents (excluding cash on hand)	9,339,936	41,034,837
Receivables and other debit balances	4,664,163	349,263
Total credit risk exposure	14,004,099	41,384,100

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in value. For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes.

Risk concentrations of the maximum exposure to credit risk

The Group's financial assets, before taking into account any collateral held or other credit enhancements, can be analysed by the following geographical regions and industrial sectors:

	2008			2007		
	Banking and financial services	Others	Total	Banking and financial services	Others	Total
	KD	KD	KD	KD	KD	KD
Kuwait	9,339,936	4,664,163	14,004,099	40,875,544	306,588	41,182,132
Iraq	-	-	-	159,293	42,675	201,968
	9,339,936	4,664,163	14,004,099	41,034,837	349,263	41,384,100

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21. Dividends

No dividends have been proposed by the Board of Directors for the year ended December 31, 2008, which is subject to the approval of the Annual General Assembly Meeting.

During 2007, the Parent Company had distributed profits for the year ended December 31, 2006 according to the Annual General Assembly held on April 30, 2007, which approved Board of Directors' proposal to distribute profits as follows:

- 5 fils per share for partly paid shares (20%) to be added to partly paid up capital making the partly paid up capital 30 fils per share.
- Cash dividends of 20 fils per share for fully paid shares.

22. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, investments at fair value through income statement, receivables, investments available for sale, due to a bank, borrowings and accounts payable and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant of the Group's profit.

Year	Increase (decrease) in interest rate	Balance on December 31 (KD)	Effect on consolidated statement of income (KD)
2008			
Due to a bank	± 50 basis points	1,900,928	(9,505)
Borrowings	± 50 basis points	56,077,333	(280,387)

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19. Reclassification of financial assets

On October 13, 2008 the IASB permitted reclassification of some financial instruments from one category to another in particular situations (Amendments to IAS 39 and IFRS 7("Amendment").

One of the subsidiaries elected to apply the amendment effective July 1,2008 and reclassified certain investments held for trading to available for sale investments. The details of reclassification are as follows:

Particulars	Amount
Amount reclassified from investments held for trading to available for sale investments on July 1, 2008.	51,932,644
Fair value of investments reclassified from investments held for trading to available for sale at December 31, 2008.	44,066,109
Unrealized loss on investments reclassified from investments held for trading to available for sale that have been already recognized in the consolidated statement of income till June 30, 2008.	(2,250,949)
Unrealized loss on investments reclassified from investments held for trading to available for sale that would have been recognized in the consolidated statement of income if these financial assets had not been reclassified.	(14,850,364)
Unrealized loss on investments reclassified from investments held for trading to available for sale recognized in the consolidated statement of changes in equity for the period from July 1, 2008 till December 31, 2008.	(12,599,415)

20. Related party transactions

Related parties consist of directors and executive officers of the Group, their families and companies of which they are the principal owners. Prices and terms of payments are approved by the Group's management.

The related party transactions and balances included in the consolidated financial statements are as follows:

	2008	2007
Balances included in the consolidated balance sheet:		
Cash held as part of a managed portfolio	7,100,000	39,900,000
Amount due from a related party	650,245	-
Transactions included in the consolidated statement of income:		
Dividend income	85,254	-
Unrealised gain on investments carried at fair value through income statement (portfolio managed by a related party)	1,362,872	-
Interest income	241,167	191,301
Finance charges	137,908	276,965
Administrative expenses	138,855	-

There was no compensation to key management personnel during the year.

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15. Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Parent Company after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve. No KFAS has been provided since there was no profit on which KFAS could be calculated.

16. Contribution to National Labour Support Tax (NLST)

National Labor Support Tax is calculated at 2.5% of the profit of the Parent Company and after deducting its share of income from listed shareholding subsidiaries and associates, dividends from Kuwaiti listed shareholding companies and compensation claim from UNCC. No NLST has been provided since there was no profit on which NLST could be calculated.

17. Zakat

Contribution to Zakat is calculated at 1% of the profit of the Company in accordance with Ministry of Finance resolution No. 58/2007 effective December 10, 2007. No Zakat has been provided since there was no profit on which Zakat is payable.

18. (Loss) earnings per share

(Loss) earnings per share is computed by dividing net (loss) profit for the year attributable to the equity holders of the Parent Company by the weighted average number of shares outstanding during the year.

There are no dilutive potential ordinary shares. The information necessary to calculate loss earnings per share based on the weighted average number of shares outstanding during the year is as follows:

	2008	2007
Net (loss) profit for the year attributable to equity holders of the Parent Company	(6,637,649)	1,117,166
Weighted average number of ordinary shares outstanding	577,151,146	600,000,000
(Loss) earnings per share (Fils)	(11.50)	1.86

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12. Share capital

	2008	2007
Authorized and issued capital:		
Ordinary shares of par value 100 fils each	59,297,354	60,000,000
Fully paid capital	59,297,354	58,727,613

On 25 October 2007, the Board of Directors called up the remaining 70% on the partially paid capital, out of which KD 40,947,354 had been collected until December 31, 2008 (December 31, 2007:KD 40,377,613) has been credited to the share capital.

On 20 April 2008, at the Annual General Assembly, the shareholders approved the following:-

- i) To change the name of the Parent Company from "Iraq Holding Company K.S.C (Closed)" to "Al Qurain Holding Company K.S.C. (Holding)"; and
- ii) To decrease the authorised and issued capital from KD 60,000,000 to KD 59,297,354.

During 2007, the Parent Company increased its share capital by KD 2,975,000 through distributing profits of 5 fils per share for partly paid shares of 595,000,000 shares making the partly paid up capital as 30 fils per share in accordance with the approval of Annual General Assembly held on April 30, 2007.

13. Statutory reserve

In accordance with the Commercial Companies Law, 10% of the profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax, Zakat and Directors' fees is required to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital. Distribution of the reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when accumulated profits are not sufficient for the payment of a dividend of that amount. No transfer has been made to the statutory reserve due to net loss for the year.

14. Voluntary reserve

In accordance with the Parent Company's Articles of Association, 10% of profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax, Zakat and Directors' fees is to be transferred to the voluntary reserve. This transfer may be stopped by a resolution adopted by the ordinary assembly as recommended by the Board of Directors. No transfer has been made to voluntary reserve due to net loss for the year.

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10. Borrowings

	Currency	2008
a. Bank facilities granted by one of the local banks carrying interest rate of 5.5% per annum and repayable on January 15, 2009. Subsequently, the Group renewed the facility to April 15, 2009	KD	47,507,027
b. Bank facilities granted by one of the local banks carrying interest rate of 2% per annum over the discount rate prevailing from Central Bank of Kuwait on monthly basis and repayable on January 15, 2009. Subsequently, the Group renewed the facility to March 15, 2009 and further extension is under process.	KD	8,000,000
c. Secured loan granted by a local financial institution carrying interest rate of 4 % per annum over LIBOR rates, due every three months and repayable on June 23, 2009.	USD	332,357
d. Loan granted by a local financial institution carrying interest rate of 4.5 % per annum over LIBOR rates.	USD	237,949
		56,077,333

Bank facilities were granted to a subsidiary of the Group against mortgage of investment portfolio with fair value of KD 56,675,422 as of December 31, 2008 – (Notes 4 and Note 6).

Secured loan was granted to a subsidiary of the Group against mortgage of investment fund classified as investment at fair value through income statement amounting to KD 627,480 (Note 4).

11. Accounts payable and other credit balances

	2008	2007
Trade payables	24,011	-
Payable towards subscription of shares	8,425,537	-
Accrued expenses	48,626	100,581
KFAS Payable	59,181	-
NLST Payable	77,934	103,548
Others	139,775	34,081
	8,775,064	238,210

Payable towards subscription of shares represents amount payable on subscription of rights issue from investment available for sale in quoted securities of a bank.

There is no material difference between the fair value and the carrying value of accounts payable and other credit balances.

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8. Goodwill

Goodwill represents excess of fair value of assets, liabilities and contingent liabilities acquired over the purchase consideration for acquisition of 99.87% of Al Zumorroda Retail and Services Holding Company – K.S.C.(Holding) (previously United National Holding Company K.S.C. (Holding)) from a related party.

The fair value of the identifiable assets and liabilities as at the date of acquisition was as follows:

	Amount
Net assets acquired	56,329,356
Goodwill arising on acquisition	9,582,644
Total purchase consideration	65,912,000
Add: Cash and cash equivalents	12,981
Less: settled through Shares	(15,477,000)
Cash flow on acquisition, net of cash acquired	50,447,981
Goodwill on acquisition	9,582,644
Impairment	(4,791,322)
Carrying Value of Goodwill	4,791,322

The impairment of goodwill was assessed based on the valuation carried out by a related party.

9. Due to a bank

Due to a bank represents overdraft facilities obtained by a subsidiary from a local bank and repayable on January 15, 2009. This facility carries an interest rate of 1.75% per annum over the Central Bank of Kuwait discount rate. The Group is in the process of renewing this facility with the bank.

Investment portfolios amounting to KD 56,675,422 (2007: KD 58,687,491) are mortgaged against this facility – (Note 4, 6).

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7. Investment in associates (Continued)

The movement during the year was as follows:

	<u>2008</u>	<u>2007</u>
Balance at the beginning of the year	1,216,464	6,435,701
Acquisitions during the year	5,628,721	243,270
Disposals during the year	(66,356)	(6,293,338)
Share of results from associates	(22,411)	932,299
Group's share of associate's cumulative changes in fair value	(101,093)	-
Foreign currency translation adjustments	(987)	(101,468)
Impairment Loss	(100,000)	-
	<u>6,554,338</u>	<u>1,216,464</u>
Represented by:		
Share in net asset value of the associates	<u>4,446,600</u>	<u>889,431</u>
Goodwill relating to:		
Al Ameen Real Estate company	186,720	327,033
Al Ameen insurance company	13,220	-
Xpress Cell Services Co. – K.S.C. (Closed) and Subsidiaries	1,907,798	-
	<u>2,107,738</u>	<u>327,033</u>
	<u>6,554,338</u>	<u>1,216,464</u>

Details of share of associates' balance sheet and revenue and profit:

	December 31, 2008 KD	December 31, 2007 KD
Share of associates' balance sheet:		
Total assets	10,447,961	939,356
Total liabilities	(6,001,361)	(49,925)
Net assets	<u>4,446,600</u>	<u>889,431</u>
Share of associates' revenue and profit:		
Revenue	<u>6,866,083</u>	<u>5,884,217</u>
(Loss) Profit for the year	<u>(22,411)</u>	<u>932,299</u>

An impairment loss of KD 100,000 has been accounted for based on subsequent sale value of shares in Al Ameen Real Estate Company.

The Group accounted for its share of results for the associate, Xpress Cell Services Co. – K.S.C. (Closed) based on reviewed financial information for the nine months period ended September 30, 2008. In the opinion of the management of the parent company, the profit reported in the management accounts will not be materially different if the management accounts had been subject to an audit.

The Group has not accounted for its share of results from other associates since it is not considered to be material to the accompanying consolidated financial statements.

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7. Investment in associates

The investment in associates at December 31, 2008 was as follows:

Name of company	Country of incorporation	Percentage of ownership and voting power		Principal activity	Amount	
		2008	2007		2008	2007
Al Ameen Real Estate Company (Private)	Iraq	46.59%	48.68%	Real Estate	935,231	1,102,574
Al Ameen Insurance Company (Private)	Iraq	39.1%	39.1%	Insurance	113,890	113,890
Xpress Cell Services Co. – K.S.C. (Closed) and Subsidiaries	Kuwait	38.6%	-	Telecommunication	5,505,217	-
					6,554,338	1,216,464

During the year, the Group disposed 2.09% of its investment in Al Ameen Real Estate Company (Private) for a consideration of KD 80,454 resulting in a gain of KD 14,098.

On June 30, 2008, the Group acquired 38.6% in Xpress Cell Services Co. – K.S.C. (Closed) for a consideration of KD 5,628,721, whose principal activities are communication machines, accessories and spare parts. The fair value of the identifiable assets, liabilities, contingent liabilities and consequent goodwill at the date of acquisition is based on audited financial statements as of June 30, 2008.

	Amount
Acquisition cost	5,628,721
Less: Fair value of identifiable assets, liabilities and contingent liabilities at the date of acquisition	(3,720,923)
Goodwill	1,907,798

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6. Available for sale investments (Continued)

The movement during the year is as follows:

	<u>2008</u>	<u>2007</u>
Balance at the beginning of the year	-	-
Additions	21,883,970	-
Relating to a consolidation of a subsidiary	10,849,640	-
Subscription of shares	8,425,536	-
Disposals	(9,877,153)	-
Reclassified from investments held for trading (Note 4)	51,932,644	-
Transferred to investment in an associate	(423,000)	-
Changes in fair value	(12,331,166)	-
Reversal due to disposal of investment available for sale	(825,000)	-
Impairment loss	(3,420,186)	-
Balance at the end of the year	<u>66,215,285</u>	<u>-</u>

Investment in portfolios and quoted securities include KD 33,158,483 relating to investment in a local Bank, for which the shares are suspended from trading by Kuwait Stock Exchange. The carrying value of these investments as at the consolidated balance sheet date was 625 fils per share. The Group had not accounted impairment loss for this investment and the cumulative changes in fair value for this investment represents debit balance of KD 8,099,719.

Investment in portfolios and quoted securities include KD 2,542,270 relating to investment in a real estate company, for which the shares are suspended from trading by Kuwait stock exchange. The carrying value of these investments as at the balance sheet date was 234 fils per share. The Group had not accounted impairment loss for this investment and the cumulative changes in fair value for this investment represents debit balance of KD 912,670.

Management has performed preliminary review of its unquoted securities to assess whether impairment has occurred in the value of these investments due to the impact of the global financial crisis. Based on this review, the Group has accounted for an impairment loss of KD 1,159,547. The remaining unquoted securities were carried at cost as their fair values could not be reliably measured.

Investment in unquoted securities amounting to KD 112,500 (2007 – KD 112,500) is owned by others and have been assigned in favor of the Group.

Investments in portfolios represent investments managed by a related party and local financial institutions.

Investment in portfolios amounting to KD 44,828,252 (2007 – Nil) are mortgaged against bank facilities – (Note 9, 10).

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4. Investments carried at fair value through income statement (Continued)

Investments in portfolios and funds represent investment managed by local financial institutions. Investment in portfolios amounting to KD 11,847,170 are mortgaged against bank facilities – (Note 9, 10) and investment in funds amounting to KD 627,480 are mortgaged against loans – (Note 10).

5. Receivables and other debit balances

	<u>2008</u>	<u>2007</u>
Receivables (a)	2,474,556	-
Advance payments towards investments	1,723,839	156,160
Prepaid expenses	377,144	-
Staff receivable	88,415	-
Accrued income	209	193,103
	<u>4,664,163</u>	<u>349,263</u>

The fair value of receivables and other debit balances approximated their carrying values as at December 31, 2008.

a) Receivables

Receivables that are less than three months past due are not considered impaired. The ageing analysis of these receivables is as follows:

	<u>2008</u>	<u>2007</u>
1 to 6 months	2,474,556	-
6 to 12 months	-	-
Over 1 year	-	-
	<u>2,474,556</u>	<u>-</u>

Advance payments towards investments represents amount paid towards subscription in shares which are not yet allotted to the Group.

6. Available for sale investments

	<u>2008</u>	<u>2007</u>
Investment in portfolios	45,252,085	-
Unquoted securities	11,410,148	-
Quoted securities	12,973,238	-
Impairment loss	(3,420,186)	-
	<u>66,215,285</u>	<u>-</u>

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2. Significant accounting policies (Continued)

r) Contingencies

Contingent liabilities are not recognized but disclosed in the consolidated financial statements except when the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

3. Cash and cash equivalents

	<u>2008</u>	<u>2007</u>
Cash on hand and at banks	1,666,055	315,727
Short term deposits	1,400,000	820,383
Cash held as part of a managed portfolio	7,939,936	39,900,000
	<u>11,005,991</u>	<u>41,036,110</u>

The Group's short term deposits are placed with local banks and are denominated in local currency. The short term deposits earn an average annual interest rate ranging from 2% to 3% (2007: 5.5%), with original maturity within three months.

Cash held as part of a managed portfolio is managed by Zumorroda Investment Company K.S.C. (Closed), a related party (Note 20).

There is no material difference between the fair value and the carrying value of cash and cash equivalents.

4. Investments carried at fair value through income statement

	<u>2008</u>	<u>2007</u>
Investment in portfolios held for trading	12,037,580	-
Quoted securities held for trading	2,028,068	21,108,776
Investment in funds held for trading	2,531,788	-
	<u>16,597,436</u>	<u>21,108,776</u>

The movement during the year is as follows:

	<u>2008</u>	<u>2007</u>
Balance at the beginning of the year	21,108,776	23,067,813
Additions	24,115,888	1,560,667
Relating to consolidation of a subsidiary	84,694,095	-
Disposals	(54,022,816)	-
Unrealized loss on investments at fair value through income statement	(7,365,863)	(3,519,704)
Reclassified to investments available for sale (Note 6)	(51,932,644)	-
Balance at the end of the year	<u>16,597,436</u>	<u>21,108,776</u>

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2. Significant accounting policies (Continued)

q) Critical accounting estimates and judgements (Continued)

a) Judgements (Continued)

(i) Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "at fair value through statement of income," "available for sale" or "held to maturity". The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through statement of income" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through statement of income at inception, provided their fair values can be reliably estimated. All other investments are classified as "available for sale".

(ii) Impairment of investments

The Group treats investments "available for sale" as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgement.

b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimating uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Fair value of unquoted equity investments

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

(ii) Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the asset or the cash-generating unit to which the goodwill is allocated. Estimating a value in use requires the Group to make an estimate of the expected future cash-flows from the asset or the cash-generating unit and also choose an appropriate discount rate in order to calculate the present-value of the cash-flows.

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2. Significant accounting policies (Continued)

o) Borrowing costs

Borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

p) Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

q) Critical accounting estimates and judgements

The Group makes judgements, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

a) Judgements

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgements that have the most significant effect on the amounts recognized in the consolidated financial statements.

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2. Significant accounting policies (Continued)

m) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of Group's activities

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

- Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.
- Dividend income is recognized when the right to receive payment is established.
- Other revenue and expenses are recorded on accrual basis.

n) Foreign currencies

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Kuwaiti Dinars ("KD"), which is the functional currency of the Parent Company, and the presentation currency for the consolidated financial statements.

Foreign currency transactions are recorded in Kuwaiti Dinars at the approximate rates of exchange prevailing at the date of the transactions. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of income for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Kuwaiti Dinars using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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2. Significant accounting policies (Continued)

h) Goodwill (Continued)

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investment in associates' in note 2(f).

Where there is an excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost, the Group is required to reassess the identification and measurement of the net identifiable assets and measurement of the cost of the acquisition and recognize immediately in the consolidated statement of income any excess remaining after that remeasurement.

i) Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

j) Accounts payable

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

k) Provision for indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employees' contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the balance sheet date, and approximates the present value of the final obligation.

l) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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2. Significant accounting policies (Continued)

f) Associates (Continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the consolidated statement of income.

g) Furniture and equipment

The initial cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacement of assets are capitalized.

Furniture and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of income.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis as follows:

	Years
Furniture and equipments	3-20

h) Goodwill

Goodwill arising on an acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities as at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

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2. Significant accounting policies (Continued)

d) Investments (Continued)

The Group assesses at each balance sheet date whether there is an objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available for sale investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in consolidated statement of income – is removed from equity and recognized in the consolidated statement of income. Impairment losses recognized in the consolidated statement of income on available for sale equity instruments are not reversed through the consolidated statement of income.

e) Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of income. When a receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of income.

f) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policy decisions. The consolidated financial statements include the Group's share of the results and assets and liabilities of associates under the equity method of accounting from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

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2. Significant accounting policies (Continued)

d) Investments (Continued)

An investment is designated by the management on initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or; if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy.

Investments in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

(ii) Available for sale investments

Available for sale investments are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognized on settlement date – the date on which an asset is delivered to or by the Group Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through income statement.

After initial recognition, investments at fair value through income statement and investments available for sale are subsequently carried at fair value. The fair values of quoted investments are based on current bid prices. If the market for an investment is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Realized and unrealized gains and losses from investments at fair value through income statement are included in the consolidated income statement. Unrealized gains and losses arising from changes in the fair value of available for sale investments are recognized in cumulative changes in fair value in consolidated statement of changes in shareholders' equity.

Where available for sale investments could not be measured reliably, these are stated at cost less impairment losses, if any.

When an investment available for sale is disposed off or impaired, any prior fair value earlier reported in equity is transferred to the consolidated statement of income.

An investment is derecognized either when: the contractual rights to receive the cash flows from the investment have expired; or the Group has transferred its rights to receive cash flows from the investment and either (a) has transferred substantially all the risks and rewards of ownership of the investment, or (b) has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment. Where the Group has retained control, it shall continue to recognize the investment to the extent of its continuing involvement in the investment.

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2. Significant accounting policies (Continued)

b) Basis of consolidation (Continued)

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control or disposal of a subsidiary, the consolidated financial statements include the results for the part of the reporting period until the date of disposal.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses.

All intercompany balances and transactions, including unrealized profits arising from intra-Group transactions, have been eliminated in full. Unrealized losses are eliminated unless costs cannot be recovered.

c) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

d) Investments

The Group classifies its investments in the following categories: Investments at fair value through income statement, and available for sale investments. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition by the management.

(i) Investments at fair value through income statement

This category has two sub-categories: investments held for trading, and those designated at fair value through statement of income at inception.

An investment is classified as held for trading if acquired principally for the purpose of selling in the short term or if it forms part of an identified portfolio of investments that are managed together and has a recent actual pattern of short-term profit making or it is a derivative that is not designated and effective as a hedging instrument.

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2. Significant accounting policies (Continued)

b) Basis of consolidation (Continued)

The Parent Company also subscribed to 52.3% in shares of Dana Investment Company K.S.C. (Closed) for a consideration of KD 7,845,000.

The consolidated balance sheet as of December 31, 2008 and the consolidated income statement for the year then ended include the following information related to Al Zumorrodah Retail and Services Holding Company K.S.C. (Holding) (Formerly united National Holding Company K.S.C. (Holding)) and Dana Investment Company K.S.C. (Closed) while the comparative figures do not include such information.

Balance sheet	Al Zumorrodah Retail and service Holding company K.S.C. (Holding) (Formerly United national Holding Company K.S.C. (Holding))	Dana Investment Company K.S.C.(Closed)
Assets:		
Cash and cash equivalents	1,912,598	8,391,511
Investments at fair value through income statement	15,077,084	784,665
Receivable and other debit balances	2,987,427	1,463,928
Available for sale Investments	61,252,965	6,442,025
Investment in an associate	5,505,217	-
Furniture and equipment	-	127,156
Liabilities:		
Due to a bank	1,900,928	-
Borrowings	47,839,384	237,949
Accounts payable and other credit balances	7,286,834	1,236,610
Income statement		
Share of results from an associates	(22,411)	-
Dividend income	664,692	-
Realized gain on sale of investments carried at fair value through income statement	2,740,955	175,000
Realized gain on sale of investment available for sale	154,127	-
Unrealized (loss) for investments carried at fair value through income statement	(7,023,486)	-
Foreign exchange Loss	(864,349)	-
Interest income	134,475	633,704
Administrative expenses	(200,215)	(238,192)
Finance cost	(2,337,433)	-
Impairment loss for investments available for sale	(2,874,511)	(545,675)

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2. Significant accounting policies (Continued)

a) Basis of preparation (Continued)

Amended IAS 27 Consolidated and Separate Financial Statements (2008)

Amended IAS 27, which will be effective for annual periods beginning on or after July 1, 2009, requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in profit or loss.

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Al Qurain Holding Company K.S.C. (Holding) (Formerly Iraq Holding Company K.S.C. (Closed)) and following subsidiaries at December 31, 2008:

Name of subsidiary	Principal activity	Country of incorporation	Percentage of ownership and voting power	
			2008	2007
Al-Marsa Al-Azraq General Trading and Contracting W.L.L.	Trading and contracting	Kuwait	100%	100%
Al-Sahab Al-Abiad Institutes for National Training W.L.L.	Education and training	Kuwait	100%	100%
Al-Forat Al-Azraq Project Management W.L.L.	Project management	Kuwait	100%	100%
Al-Khoyoul Al-Baydhaa General Trading and Contracting Limited	Trading and contracting	Iraq	-	100%
Al-Khoyoul Al-Arabia General Trading and Contracting Limited	Trading and contracting	Iraq	-	100%
Al-Fajr Al-Thahaby General Trading and Contracting Limited	Trading and contracting	Iraq	-	100%
Al-Qabas Al-Moneer General Trading and Contracting Limited	Trading and contracting	Iraq	100%	100%
Al Zumorroda Retail & Service Holding Company K.S.C. (Holding) (Formerly known as United National Holding Company K.S.C. (Closed))	Ownership of shares in Kuwaiti or foreign companies and real estate and providing loans to companies	Kuwait	99.87%	-
Dana Investment Company K.S.C.(Closed)	Investment	Kuwait	52.3%	-

During the year, the Parent Company acquired 99.87% of Al Zumorroda Retail and Services Holding Company – K.S.C. (Holding) (previously United National Holding Company K.S.C. (Holding)) from a related party for a purchase consideration of KD 65,912,000. The company is based in Kuwait and its principal activity is investing its surplus funds in local and foreign companies.

On September 30, 2008, the Group acquired 100% of a new subsidiary Al-Zumorroдах Jewellery Co. – K.S.C. (Closed) for an amount of KD 2,910,000 from a related party. Subsequently this subsidiary was sold to the same related party for a consideration of K.D 2,910,000.

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2. Significant accounting policies (Continued)

a) Basis of preparation (Continued)

IFRS 7 Financial Instruments: Disclosures

Implementation of the amendments to revised IAS 39: Financial Instruments – Recognition and Measurement has resulted in additional disclosures under IFRS 7 Financial Instruments: Disclosures in the accompanying consolidated financial statements.

The financial impact of adopting these amendments is disclosed in Note (19) to the accompanying consolidated financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgements, estimates and assumptions are disclosed in Note 2(q).

The following International Accounting Standards Board ("IASB") Standards and Interpretations applicable to the Group have been issued but are not yet mandatory, and have not yet been adopted by the Group:

IFRS 8 "Operating Segments"

The application of IFRS 8, which will be effective for the annual periods beginning on or after 1 January 2009, will result in disclosure of information to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

IAS 1 "Presentation of Financial Statements" (Revised)

The application of IAS 1 (Revised), which will be effective for the annual periods beginning on or after 1 January 2009, will impact the presentation of consolidated financial statements to enhance the usefulness of the information presented.

Revised IFRS 3 Business Combinations (2008)

Revised IFRS 3, which will be effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009 with prospective application, incorporates the following changes:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- Contingent consideration will be measured at fair value, with subsequent changes therein recognized in consolidated statement of income.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognized in consolidated statement of income.

Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

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1. Incorporation and principal activities

Al Qurain Holding Company K.S.C.(Holding) and its subsidiaries (Formerly Iraq Holding Company K.S.C.(Closed)) (“the Parent Company”) was incorporated on November 29, 1998 under the Commercial Companies Law No. 15 of 1960 and amendments thereto.

The registered office of the Parent Company is at Monther Tower, Al Sour Street, Al Quibla, P.O. Box 28341, Safat 13144, Kuwait.

The principal licensed activities of the Parent Company and its subsidiaries (together referred to as “the Group”) are the acquisition and lease out of patent rights and trade and industrial marks, ownership of real estate properties within the limits permitted by law and investment activities. The Parent Company was listed in the Kuwait Stock Exchange on December 26, 2005.

The consolidated financial statements were authorised for issue by the Board of Directors on March 24, 2009.

2. Significant accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and applicable requirements of Ministerial order No. 18 of 1990. The most significant accounting policies adopted are as follows:

a) Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments carried at fair value through income statement and certain available for sale investments.

The consolidated financial statements have been presented in Kuwaiti Dinars (KD), which is the functional currency of the Parent Company.

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2007 except for changes due to implementation of certain amendments to revised IAS 39: Financial instruments – Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures:

IAS 39: Financial Instruments – Recognition and Measurement

Effective July 1, 2008, the Group has implemented certain amendments to revised IAS 39: Financial Instruments – Recognition and Measurement. The Group has identified the deterioration of the global financial markets and the consequent impact on the financial markets of the Middle East region as rare circumstance resulting in the implementation of these amendments

**AL QURAIN HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES
(FORMERLY IRAQ HOLDING COMPANY K.S.C. (CLOSED))
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008
(All Amounts are in Kuwaiti Dinars)**

	Notes	2008	2007
Cash flows from operating activities:			
Net (Loss) profit for the year		(8,232,102)	1,117,166
Adjustment for:			
Depreciation		10,888	12,731
Gain on sale of investment in an associate		(14,098)	(4,156,171)
Unrealised loss from investments carried at fair value through statement of income		7,365,863	3,519,704
Share of results of associates		22,411	(932,299)
Dividend income		(1,030,042)	(351,750)
Interest income		(1,531,049)	(334,309)
Finance cost		2,839,086	607,771
Loss on sale of furniture and equipment		30,324	-
Impairment loss on investment available for sale		3,420,186	-
Impairment of goodwill and investment in associate		4,891,322	-
		7,772,789	(517,157)
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		17,367,770	(279,826)
Receivable and other debit balances		(1,703,870)	(264,736)
Accounts payable and other credit balances		(517,196)	(102,628)
Net cash generated from (used in) operating activities		22,919,493	(1,164,347)
Cash flows from investing activities:			
Investment available for sale		(12,333,468)	-
Purchase of furniture and equipment		(190,270)	(7,690)
Proceeds from sale of investment in associate	7	80,454	9,168,668
Acquisition of investment in associates	7	(5,205,721)	(243,270)
Advances paid towards new investments		(1,723,839)	-
Interest income received		1,531,049	334,309
Dividend income received		1,030,042	351,750
Acquisition of a subsidiary		(50,435,000)	-
Due from related parties		12,134,984	-
Net cash (used in) generated from investing activities		(55,111,769)	9,603,767
Cash flows from financing activities:			
Share capital called	12	569,741	40,377,613
Due to a bank		(1,111,355)	-
Borrowings obtained (repaid)		2,392,004	(8,662,396)
Purchase of treasury shares		(6,037,241)	-
Proceeds from sale of treasury shares		2,054,127	-
Net movement in minority interest		7,130,772	-
Dividends paid		-	(100,000)
Finance cost paid		(2,839,086)	(607,771)
Net cash generated from financing activities		2,158,962	31,007,446
Net (decrease) Increase in cash and cash equivalents		(30,033,314)	39,446,866
Cash and cash equivalents at the beginning of the year		41,036,110	1,589,244
Relating to a consolidation of a subsidiary		3,195	-
Cash and cash equivalents at end of the year	3	11,005,991	41,036,110

The accompanying notes (1) to (25) form an integral part of the consolidated financial statements

**AL QURAIN HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES
(FORMERLY IRAQ HOLDING COMPANY K.S.C. (CLOSED))
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2008
(All Amounts are in Kuwaiti Dinars)**

	Share capital	Statutory reserve	Voluntary reserve	Fair value reserve	Fair value reserve relating to an associate	Foreign currency translation adjustment	(Accumulated loss)/ Retained earnings	Treasury Shares	Sub Total	Minority interest	Total
Balance at December 31, 2006	15,375,000	997,822	997,822	-	-	274,975	4,561,457	-	22,207,076	-	22,207,076
Foreign currency translation adjustment	-	-	-	-	-	(101,468)	-	-	(101,468)	-	(101,468)
Net loss recognised directly in equity	-	-	-	-	-	(101,468)	-	-	(101,468)	-	(101,468)
Net profit for the year	-	-	-	-	-	-	1,117,166	-	1,117,166	-	1,117,166
Total recognised (loss) income for the year	-	-	-	-	-	(101,468)	1,117,166	-	1,015,698	-	1,015,698
Bonus shares issued	2,975,000	-	-	-	-	-	(2,975,000)	-	-	-	-
Cash dividends paid	-	-	-	-	-	-	(100,000)	-	(100,000)	-	(100,000)
Share capital called	40,377,613	-	-	-	-	-	-	-	40,377,613	-	40,377,613
Transfer to reserves	-	118,920	118,920	-	-	-	(237,840)	-	-	-	-
Balance at December 31, 2007	58,727,613	1,116,742	1,116,742	-	-	173,507	2,365,783	-	63,500,387	-	63,500,387
Foreign currency translation adjustment	-	-	-	-	-	(987)	-	-	(987)	-	(987)
Changes in fair value of available for sale investments	-	-	-	(9,143,286)	(101,093)	-	-	-	(9,244,379)	232,306	(9,012,073)
Impairment loss on investment available for sale	-	-	-	(3,420,186)	-	-	-	-	(3,420,186)	-	(3,420,186)
Reversal due to disposal of investments available for sale	-	-	-	(823,900)	-	-	-	-	(823,900)	(1,100)	(825,000)
Net (loss) income recognised directly in equity	-	-	-	(13,387,372)	(101,093)	(987)	-	-	(13,489,452)	231,206	(13,258,246)
Net loss for the year	-	-	-	(13,387,372)	(101,093)	(987)	(6,637,649)	-	(6,637,649)	(1,594,453)	(8,232,102)
Total recognised loss for the year	-	-	-	(13,387,372)	(101,093)	(987)	(6,637,649)	-	(20,127,101)	(1,363,247)	(21,490,348)
Share capital called	569,741	-	-	-	-	-	-	-	569,741	-	569,741
Effect of acquisition of a subsidiary	-	-	-	-	-	-	-	(6,037,241)	(6,037,241)	4,655,586	(1,381,655)
Sale of treasury shares	-	-	-	-	-	-	-	2,513,181	2,513,181	-	2,513,181
Loss on sale of treasury shares	-	-	-	-	-	-	(459,054)	-	(459,054)	-	(459,054)
Balance at December 31, 2008	59,297,354	1,116,742	1,116,742	(13,387,372)	(101,093)	172,520	(4,730,920)	(3,524,060)	39,959,913	3,292,339	43,252,252

The accompanying notes (1) to (25) form an integral part of the consolidated financial statements

**AL QURAIN HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES
(FORMERLY IRAQ HOLDING COMPANY K.S.C. (CLOSED))
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2008
(All Amounts are in Kuwaiti Dinars)**

	Notes	2008	2007
REVENUE			
Gain on sale of investment in an associate	7	14,098	4,156,171
Share of results from associates	7	(22,411)	932,299
Dividend income		1,030,042	351,750
Realised gain on sale of investments carried at fair value through income statement		7,564,999	-
Realized gain on sale of investment available for sale		154,127	-
Unrealised loss from investments carried at fair value through income statement	4	(7,365,863)	(3,519,704)
Foreign exchange gain		873,130	8,036
Interest income		1,531,049	334,309
Other income		256,578	35,721
		<u>4,035,749</u>	<u>2,298,582</u>
EXPENSES			
Administrative expenses		(1,117,257)	(501,611)
Finance cost		(2,839,086)	(607,771)
Impairment loss on investments available for sale	6	(3,420,186)	-
Impairment of investment in an associate	7	(100,000)	-
Impairment of goodwill	8	(4,791,322)	-
		<u>(12,267,851)</u>	<u>(1,109,382)</u>
(Loss) profit before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' fees		(8,232,102)	1,189,200
Contribution to KFAS	15	-	(10,703)
Contribution to National Labour Support Tax (NLST)	16	-	(25,614)
Zakat	17	-	(717)
Board of director's remuneration		-	(35,000)
Net (loss) profit for the year		<u>(8,232,102)</u>	<u>1,117,166</u>
Attributable to:			
Equity holders of the parent company		(6,637,649)	1,117,166
Minority interest		(1,594,453)	-
Net (loss) profit for the year		<u>(8,232,102)</u>	<u>1,117,166</u>
(Loss) earnings per share (Fils)	18	<u>(11.50)</u>	<u>1.86</u>

The accompanying notes (1) to (25) form an integral part of the consolidated financial statements

**AL QURAIN HOLDING COMPANY K.S.C. (HOLDING) AND ITS SUBSIDIARIES
(FORMERLY IRAQ HOLDING COMPANY K.S.C. (CLOSED))
CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2008**

(All Amounts are in Kuwaiti Dinars)

	Notes	2008	2007
ASSETS			
Cash and cash equivalents	3	11,005,991	41,036,110
Investments carried at fair value through income statement	4	16,597,436	21,108,776
Receivables and other debit balances	5	4,664,163	349,263
Available for sale investments	6	66,215,285	-
Investment in associates	7	6,554,338	1,216,464
Furniture and equipment		177,042	27,984
Goodwill	8	4,791,322	-
Total assets		110,005,577	63,738,597
LIABILITIES AND EQUITY			
Due to a bank	9	1,900,928	-
Borrowings	10	56,077,333	-
Accounts payable and other credit balances	11	8,775,064	238,210
Total liabilities		66,753,325	238,210
Equity:			
Share capital	12	59,297,354	58,727,613
Statutory reserve	13	1,116,742	1,116,742
Voluntary reserve	14	1,116,742	1,116,742
Fair value reserve		(13,387,372)	-
Fair value reserve related to an associate		(101,093)	-
Foreign currency translation adjustment (Accumulated Loss)/ Retained earnings		172,520	173,507
		(4,730,920)	2,365,783
Treasury shares		(3,524,060)	-
Equity attributable to equity holders of the parent company		39,959,913	63,500,387
Minority interest		3,292,339	-
Total equity		43,252,252	63,500,387
Total equity and liabilities		110,005,577	63,738,597

The accompanying notes (1) to (25) form an integral part of the consolidated financial statements



Sh. Duaij Khaleefah M. Al. Sabah
Chairman



Ahmed M. Al Ajan
Vice Chairman

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL QURAIN HOLDING COMPANY K.S.C. (HOLDING) (FORMERLY IRAQ HOLDING COMPANY K.S.C (CLOSED))

Basis of qualification

As mentioned in Note 6 to the accompanying consolidated financial statements, investment in portfolios and quoted securities available for sale include KD 33,158,483 relating to investment in a local bank and KD 2,542,270 relating to investment in a real estate company, for which the shares are suspended from trading by Kuwait Stock Exchange. Due to the significant uncertainty, it is not possible to determine the fair value and impairment, if any, of these shares and consequently, the reasonableness of impairment of goodwill arising on acquisition of a subsidiary holding these suspended shares.

Qualified Opinion

In our opinion, except for the effect of the matter referred in the preceding paragraph, the consolidated financial statements present fairly in all material respects, the financial position of the Group as of December 31, 2008, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the Parent Company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association have occurred during the year ended December 31, 2008 that might have had a material effect on the business of the Parent Company or on its financial position.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG



DR. SHUAIB A. SHUAIB
LICENCE NO. 33 A
Albazie & Co.
Member of RSM International

March 24, 2009
Kuwait

INDEPENDENT AUDITORS' REPORT TO The Shareholders OF AL QURAIN HOLDING Company K.S.C. (HOLDING) (FORMERLY IRAQ HOLDING COMPANY K.S.C (CLOSED))

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Al Qurain Holding Company K.S.C. (Holding) (Formerly Iraq Holding Company K.S.C. (Closed)) (the "parent company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2008 and the consolidated statement of income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group's management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

losses of the current year reached KD 6,637,649 compared to the profits achieved in the previous year being KD 1,117,166 . Despite that condition , the Company is still of good standing , progressing in a better performance compared to other companies , in terms of assets . the value of assets this year was KD 110 Million compared to KD 63 Million in the previous year i.e. an increase of 74.6% . But the thing which we really faced was the decrease of the share of a local bank which is the best and the most successful bank in Kuwait , but this is a temporary situation, because the said bank is recovering it profitable condition , also as we know the best profitable investment and least of risks is the investment in the bank sector .

With the help and blessing of God almighty , the results will be better this year with the incentive movement which shall enjoy in the coming period. Also we are about to go through the field of merging according to the General policy of the State to go ahead more , and in this occasion I pray to God to bless our beloved Kuwait with a continuous prosperity and security and to maintain stability in all aspects of our Country .

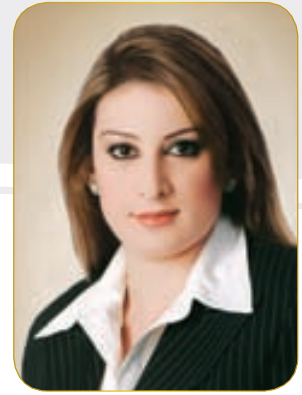
Finally, and on behalf of myself and the Company's Board of Directors I have the honor to extend the highest regards and gratitude to H.H Sheikh Sabah Al-Ahmad Al-Sabah , the Amir of State of Kuwait , and H.H the Crown Prince Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah for their continuous support , my thanks also extend to our dear Shareholders for their support and trust.



Sheikh / Duaij Khaleefah M. Al-Sabah
Chairman



SH. Duaij Khaleefah M. Al Sabah
Chairman



Shahnaz H. Qabazard
Chief Executive Officer

REPORT OF THE BOARD OF DIRECTORS

REPORT OF THE
BOARD OF DIRECTORS

M/S : Shareholders of Al-Qurain Holding Co.

Greeting,

I have the pleasure and honor on behalf of myself and my colleagues the Members of the Board of Directors , to present the Annual Report of Al-Qurain Holding Company for the Financial year ended 31/12/2008, also I take this occasion to explain the general condition of the Company and the Economic conditions in brief , with reference to the strategy which was determined at the start of the

year , particularly about selling all our investments in Iraq and the heading towards the local investment , and also investing in the GCC and Middle East area . We successfully implemented the set plan and went through a less risky and more stable course on the long run .

As for the general conditions and the fluctuating economical circumstance in which the international and local economy is passing through , the

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BOARD OF DIRECTORS



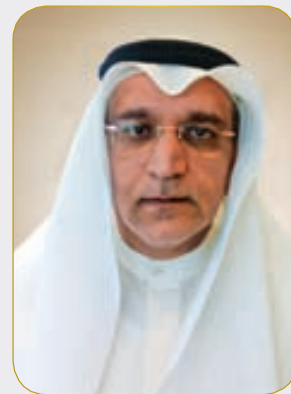
SH. Duaij Khaleefah M. Al Sabah
Chairman



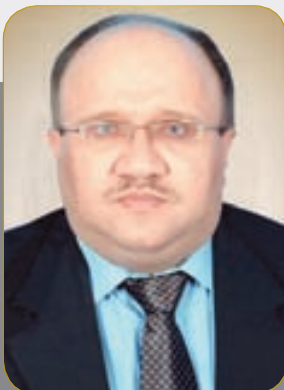
Mr. Ahmed M. A. Al-Ajlan
Vice Chairman



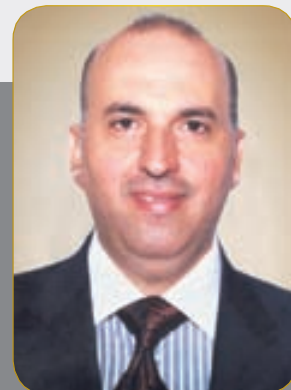
Mr. Ahmed Salem Al Abdulhadi
Board Member



Dr. Ali H. Abdullah
Board Member



Mr. Hani Fawaz Jawabreh
Board Member



Mr. Mahmoud M. Mubaslat
Board Member





His Highness
Sheikh Sabah Al-Ahmad
Al-Jaber Al-Sabah
Amir of Kuwait



His Highness
Sheikh Naser Al-Mohamad
Al-Ahmad Al-Sabah
Prime Minister



His Highness
Sheikh Nawaf Al - Ahmad
Al-Jaber Al-Sabah
Crown Prince





القرين القابضة
ALQURAIN HOLDING

2008 ANNUAL REPORT