

Chairman's Statement



Dear Esteemed Shareholders,

It gives me great pleasure to present to you the ALAHLI TAKAFUL COMPANY (ATC) Annual Report for the year ended December 31, 2009.

It has been a year of significant challenges for ATC:

- our first full year of operations,
- relocating to new premises,
- testing of our operational processes in full commercial production.

Despite these factors, I am pleased to inform you that ATC managed to launch and complete their core projects and will continue to pursue the momentum it has generated to achieve and maintain its planned leadership position in the local insurance market.

As mentioned above some major capital expense projects were completed during 2009 such as the relocation to our new and improved premises and the establishing of the IT data center. These were specifically designed to cater for the planned increase in sales and subsequent increase in operations by achieving economies of scale and improved profitability of ATC.

Other milestones include the development of five new Life products which now have our Shariah Board approval and we await only the Regulator's approval. In addition, we received the regulatory approval on our second Corporate product (Group Credit Takaful) early in 2010 and we are confident to have the outstanding documents finalized and available by end of First Quarter.

On the internal control side, ATC developed and implemented its Corporate Governance and Authority Matrix frameworks. The Corporate Governance guides the Board and its sub-committees in the conduct of their activities in a structured manner with due cognizance to

regulatory requirements and leading local corporate governance standards. The Authority Matrix guides the relevant officers of ATC in executing operational decisions to achieving our goals whilst maintaining prudent standards of transparency and accountability.

Our 2009 results reflect both the developing teamwork and dedicated commitment of all staff towards achieving our goals and I congratulate each and every staff member on a superb effort. Looking forward, ATC will continue to focus on sales momentum and product development. It will leverage from its inherent and strategic alliance partners' competencies to ensure it strengthens its leadership position in the local market and regionally.

The Company reported a Loss of SR 5.2m in 2009 but will focus our continued drive to maximize shareholder's value with the aim to distribute dividends at the earliest.

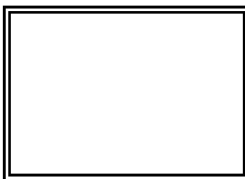
I am pleased to report that ATC was nominated for an award in the "Best Takaful Operator in 2009" category by the prestigious Islamic Business and Finance magazine as well as being awarded by SAGIA with a "Top 100 Saudi Company's" award in January this year. These serve to recognize and support our commitment to becoming the preferred Takaful operator in the Kingdom and the Takaful employer of choice for young Saudi nationals.

Based on this performance and the optimistic outlook we are adopting, the Board is confident that we will achieve our objectives and goals for 2010.

Finally, I would like to take this opportunity to sincerely thank the Custodian of the Two Holy Mosques, the Government of the Kingdom of Saudi Arabia, my fellow Board members, our hardworking staff and you, our esteemed shareholders, for your continued support and confidence in your company, ALAHLI TAKAFUL.

Eng. Omar H. Khalifati
Chairman, Board of Directors

CEO Statement



Dear Esteemed Shareholders,

ALAHLI TAKAFUL COMPANY (ATC) ended the 2009 fiscal year with a net loss of SR 5.2 million compared to a loss of SR 12 million for 2008 (for period 8 July 2007 to 31st December 2008).

In addition, we realized Gross Consolidated Takaful Contributions of SR 116 million based on increased policy sales when compared to our original business plan and are directly attributable to the superb efforts of our sales and distribution agency partner.

Considering the severe financial crisis that arose during the second half of 2008 and which continued into 2009, our results are commendable and the staff is applauded for this superb effort which enabled ATC to deliver these results in such trying times.

Going forward the implementation and promotion of our Corporate Governance underpinned by the ideals of transparency and prudent accounting and control standards throughout the Company will allow ATC to make calculated financial decisions to enable us to strengthen our market leadership position and achieve our 2010 revenue and income goals.

It is prudent to recognize that the road ahead is going to be challenging but with the continued commitment of the Board, Management Team and Staff and the help of the Almighty we will deliver on our goals for 2010.

As expected and in accordance with our original business plan projections, no dividends were announced or paid out during 2009.

We expect 2010 will pose challenges but it will also create new opportunities and it is our strong belief that we will emerge stronger and with greater success and create value for our Shareholders in terms of increased market share. ATC's original strategy in employing a variable expense model and utilizing specialist technical

and distribution services has also ensured the Company restricts its expenses and manages its cash reserves more efficiently during this period of growth.

Looking Forward

In addition to the second corporate product approved by the Regulators in early January 2010, we also have five (5) new retail life products awaiting their approval to add to our range. We are confident that when these new programs are available we will be able to adequately satisfy the needs and demands of our core customer base.

Finally, I would like to extend my sincere thanks to all of our esteemed shareholders for your continued support and trust in ATC.

I also extend my sincere thanks and appreciation for the dedication and tireless efforts of the Board of Directors, the Board Committees, the Management team and all employees who have managed to weather the challenges and the changes through the relocation and all the while still committed to delivering on our service promise to all customers throughout this period.

We look forward to a prosperous 2010 and beyond and are encouraged by the support and commitment of our partners. Whilst it is impossible to accurately predict how 2010 will unfold, particularly in the market in which we operate with its short history and limited statistics, ATC will remain solvent and cash adequate and will optimize utilization of all its prospects and opportunities.

Khalid G. Allagany
Chief Executive Officer

BoD Summary of Operations

Dear Esteemed Shareholders

The Board of ALAHLI TAKAFUL COMPANY has the honor to present this Annual Report for the fiscal year ended December 31, 2009.

The Annual Report covers the overall performance of the Company in its activities for the year and includes the Directors Report for the year, together with the Audited Financial Results, the Related Notes, and the Auditors' Report for the same period.

The Annual Report has been prepared in line with the Corporate Governance and Disclosure Standards requirements of the Capital Market Authority (CMA), as stipulated in Article 27 of the Joint Stock Companies Registration and Listing Rules, and follows the Directors Report Guidelines established by the CMA.

Engr. Omar H. Khalifati
(Chairman of the Board of
Directors)

Donald P. Hill
(Chairman of the Executive
Committee)

Dr. Manfred J. Dirrheimer
(Member of the Executive
Committee)

Mr. Ahmed Sulaiman Banaja
(Member of the Executive
Committee)

**Mr. Mohammed Omar
Kassem Alesayi**

**Mr. Abdul-Kareem Abu
AlNasr**

Al Sharif Khalid Al Ghalib

Mr. Arne Johannes Reif
(Member of the Audit Committee)

Mr. Uwe Hans Reuter

**Mr. Beshr Mohammed
Bakheet**

Mr. Mohammed Balsharaf

Section 1: 2009 Highlights

ATC with the assistance of its technical and distribution partners ensured it met the challenges posed by the financial market downturn of late 2008 and 2009. The Company reported total revenue of SR 115.86 m in its first full year of operations and ended the 2009 fiscal year with a loss of SR 5.2 m.

Policy sales volumes reported for the year exceeded the projections for the period. The success in this area is attributable to the combined focus and commitment to common goals by ATC and its technical and distribution partners.

ATC Annual Performance for the Fiscal Year 2009

Participants' Takaful Operations

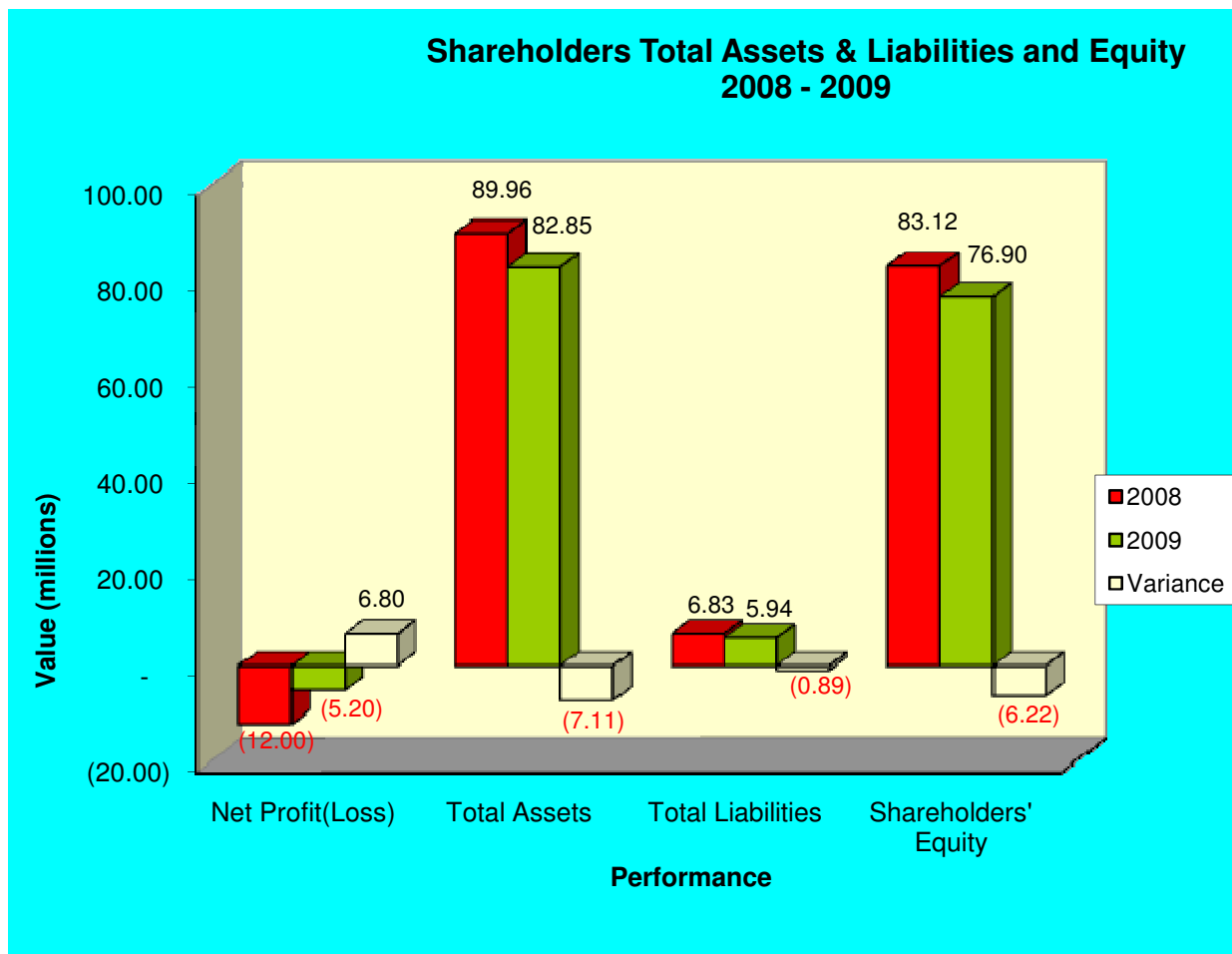
Description	SR million			
	2008	2009	Variance	Variance %
Gross Takaful Contributions	6.4	115.86	109.46	1710%
Net Retained Contributions	0.04	1.14	1.1	2750%
Surplus/ (Deficit) – from Takaful Operations	0.02	(0.36)	(0.38)	(1900)%
Investments & Cash at Banks	4.35	69.77	65.42	1504%
Technical Reserves	1.9	67.13	65.23	3433%
Re-Takaful Balance Payable	0.19	3.62	3.43	1805%

- The significant increase in Gross Contributions in 2009 over 2008 is due to the increased sales volumes due to a full year of operations;
- The Loss reflected in Takaful Operations is a result of the Death Claims experienced in 2009 as opposed to zero Claims in 2008;
- The increased Investments and Cash at Bank is due to the increased sales volumes (new policy acquisitions) and the resultant increase in the investable portion of Contributions.

Shareholders' Operations

Description	SR million			
	2008	2009	Variance	Variance %
Net Loss – from Takaful Wakalah Operations	(14.11)	(5.96)	8.15	58%
Income from Trading Investments	2.10	1.41	(0.69)	(33)%
Net Loss for Year	(12.00)	(5.2)	6.80	57%
Total Assets	89.96	82.85	(7.11)	(8)%
Total Liabilities	6.83	5.94	(0.89)	(13)%
Total Shareholders' Equity	83.12	76.90	(6.22)	(7)%

- The increased revenue has resulted in the significant reduction in the Loss from Wakalah Operations;
- The reduced income from investments is due to the global financial downturn of 2008/ 2009 which impacted returns.



Comparison of Balance Sheet Current Year vs. Previous Year (SR m)

Description	2008	2009	Variance	Variance %
Total Assets	94.83	157.65	62.82	66%
Total Liabilities	11.69	80.75	69.06	591%
Paid-Up Capital	100.00	100.00	-	-
Shareholder's Equity	83.12	76.90	(6.22)	(7)%

- The increase in Total Assets of ATC from SR 94.83m in 2008 to SR 157.65m in 2009 is a result of the significant increase in Policyholders' investments;
- The 2009 increased Technical Reserves to cover unit-linked liabilities resulted in the increase in Total Liabilities

Summary of Expenses to the Government for the Period (SR 000's)

Description	2008	2009
Zakat	29	-
GOSI	336	485
Visa and Government Fees	251	195
SAMA Inspection & Supervision Fees	-	612
TOTAL	616	1,292

Section 2: Performance by Line of Business

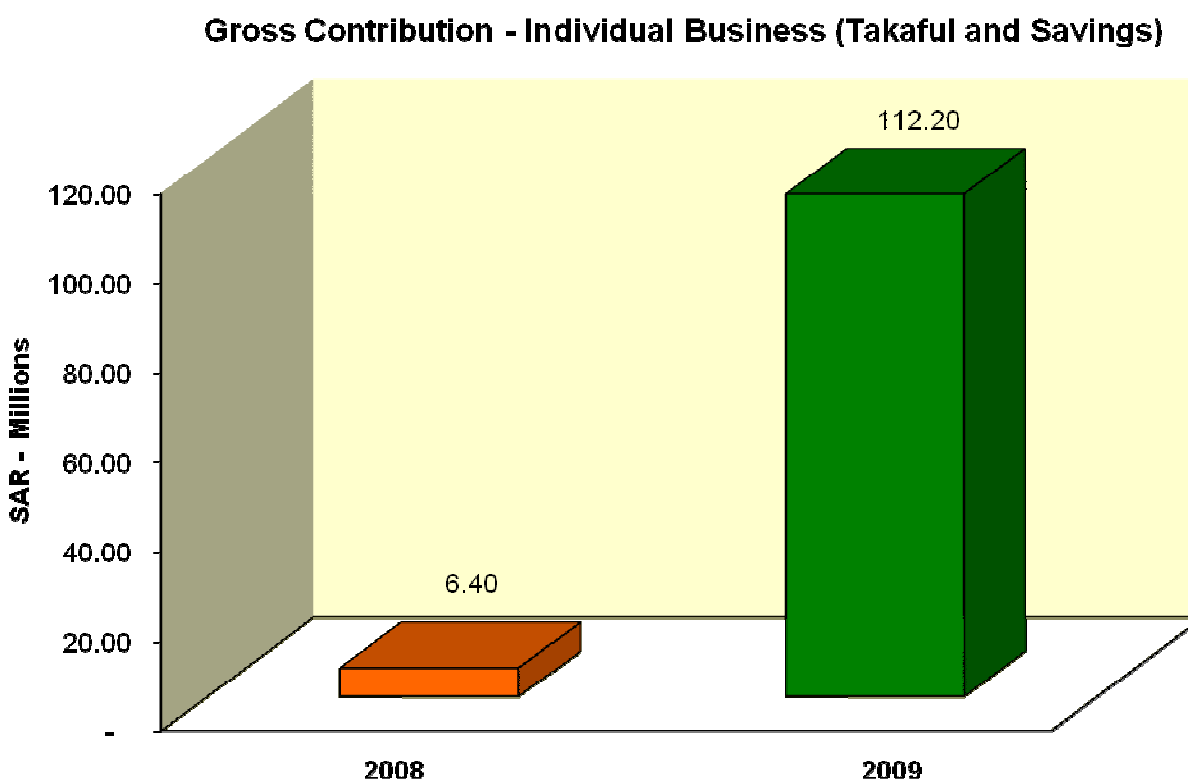
Overview

ATC is a Saudi joint-stock, Tadawul-listed public company established to transact co-operative insurance (Takaful) operations and the related activities in the Kingdom of Saudi Arabia. Currently ATC has a license to develop and sell Life (Takaful) products only. The Company launched its commercial operations with its single Takaful and Savings program in March 2008 (pilot launch) and October 2008 (full commercial) and the demand for and sales of the program have exceeded expectations.

In addition to this we also developed and sold our Group Takaful policy in 2009 for the benefit of the company and distribution partner employees.

1. Individual Business (Takaful and Savings)

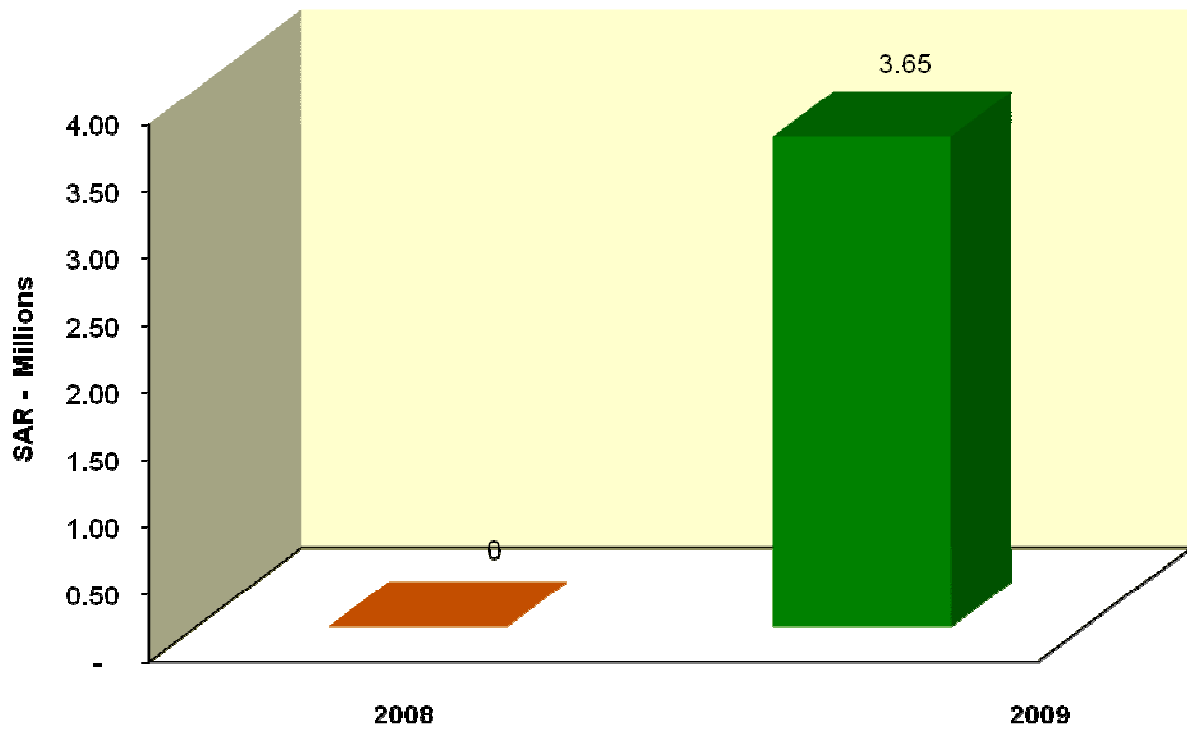
The sales volumes of the Regular Contribution Takaful and Savings program for the period between 1 January to 31 December 2009 realized Gross Contributions of SR 112.2 million (SAR 6.4 million for the period between 8 July 2007 to 31st December 2008).



2. Group Business (Group Care Takaful)

ATC commenced sale of the group program in January 2009. Under this plan we covered more than 6,000 lives with Gross Realized Contributions for this line of business amounting to SR 3.65 million.

Gross Contribution - Group Care Takaful



Section 3: Corporate Responsibility

1. Saudization Program and Strategy

The employment and development of Saudi nationals remains a core strategy and cornerstone of ATC's future vision. At the end of 2009, Saudization was more than three times higher than the regulatory requirement at this stage of the company's existence.

Staff training amounted to approximately 3 days training per staff member including in-house, local and internationally conducted courses. This effort will continue throughout 2010 and the plan is to conduct further in-house training during the year as well.

ATC has also grown its female staff component, which currently accounts for 12% of the staff complement. This section will see further growth and expansion over the next 12 months.

Finally, and in line with our overall vision of being an "equal opportunity Employer," we also employed special-needs staff and have catered to these specific needs by designing our corporate premises to create a conducive environment.

2. Employee Benefits and Welfare

ATC established a Takaful plan which will pay a benefit based on an employee's contract, of between SR 250,000 and SR 1,500,000 upon the death or disability of the employee. The plan is fully Shariah compliant and the full contribution is paid by ATC on the employees' behalf.

3. Medical Cover

As required by law, ATC also provides all staff with full medical insurance which covers medical costs incurred for the staff and their dependants as specified in the coverage guidelines. The full contribution is borne by the Company.

4. Donations

As part of its greater social responsibility, during 2009, ATC donated furniture and fixtures and fittings from its old premises at the written down book value of SR 315,000 to an authorized Saudi charitable organization.

Section 4: Corporate Governance

In terms of the CMA's Corporate Governance requirements, listed companies have to disclose in its Board of Directors report the implemented regulations and those that have either been partially implemented or not implemented at all. (Where there is non-compliance, then full reasons and any mitigating actions in this regard must be provided). (See Item # 11)

ATC places special emphasis on enforcement and compliance with Corporate Governance standards and requirements. Adequate levels of transparency are maintained and the Company strives to exceed the statutory and regulatory compliance requirements.

1. Investor Relations

ATC gives special attention to the rights of all shareholders and investors as stipulated in its Articles of Association and Corporate Governance document introduced during 2009. Accordingly, it ensures publishing of company announcements and financial statements on the Tadawul website and in newspapers as required by law and provides shareholders with regular updates through its website (www.alahlitakaful.com).

A dedicated employee and email address (investorrelations@alahlitakaful.com) is available to respond to all investor and shareholder requests.

2. ATC Equity Share Profile

No.	Item	Number/ Value
1	Company Authorized Capital	SR 100,000,000
2	Issued Shares	10,000,000
3	Floated Shares	2,645,000
4	Paid-Up Capital	SR 100,000,000
5	Nominal Value per Share	SR 10
6	Paid-Up Value per Share	SR 10

3. Shareholders and Investors Events and Dates - 2010

Item #	Event	Date - 2010	Notes/ Comments
1	Publish 2009 Annual Report and Results	Q1- 2010	Approved by BoD on January 31, 2010. After results have been approved by BoD
2.	Extraordinary General Assembly	TBA	Review recommendation of BoD on Capital Rights Issue.
3	Annual General Assembly	TBA	Date and Agenda to be announced in Tadawul, newspapers and ATC's website 25 days prior to meeting
4	Q1 2010 Events		
	Board of Directors meeting to approve Financial results for Q1 and	April 2010	
	Publishing Q1 results		Announced in Tadawul and ATC

			website
5	Q2 2010 Events		
	Board of Directors meeting to approve Financial results for Q2	July 2010	
	Publishing Q2 results		Announced in Tadawul and ATC website
6	Q3 2010 Events		
	Board of Directors meeting to approve Financial results for Q3	October 2010	
	Publishing Q3 results		Announced in Tadawul and ATC website
	Q4 2010 Events		
	Board of Directors meeting to approve Financial results for Q4 and Year-End	Q1 - 2011	
	Publishing Q4 and Year-End results		Announced in Tadawul and ATC website and Year-End results published in newspapers

4. Board of Directors

i. Roles and Responsibilities

The main role of the Board is to establish overall strategy, policies and financial objectives. The Board approves all financial provisions and budgets and oversees through its various committees the progress, adherence and achievement of objectives. In addition, the Board protects the interests of shareholders and other relevant parties by ensuring strict compliance with all applicable rules and regulations as stated in the Articles of Association and the Corporate Governance it has drafted and implemented.

ii. Board Composition, Membership and Representation

The Board comprises of 11 non-executive members as shown in the table below:

No.	Member Name	Title	Designation	Representing
1	Omar Hashim Khalifati	Chairman	Independent/ Non-Executive	-
2	Abdul-Kareem A. Abu Alnasr	Member	Non-Independent/ Non-Executive	NCB, one of the Founding Shareholders of ATC
3	Khalid AlGhalib AlSharif	Member	Non-Independent/ Non-Executive	NCB, one of the Founding Shareholders of ATC
4	Donald Paul Hill	Member	Non-Independent/ Non-Executive	NCB, one of the Founding Shareholders of ATC
5	Manfred Joseph Dirrheimer	Member	Non-Independent/ Non-Executive	FWU, one of the Founding Shareholders of ATC
6	Arne Johannes Reif	Member	Non-Independent/ Non-Executive	FWU, one of the Founding Shareholders of ATC
7	Uwe Hans Reuter	Member	Non-Independent/ Non-Executive	VHV, one of the Founding Shareholders of ATC
8	Mohammed Omar Alesayi	Member	Non-Independent/ Non-Executive	Mohammed Gasim Alesayi Group, one of the Founding Shareholders of ATC
9	Ahmed Sulaiman Banaja	Member	Independent/	-

			Non-Executive	
10	Beshr Mohammed Bakheet	Member	Independent/ Non-Executive	-
11	Mohammed Ali Balsharaf	Member	Independent/ Non-Executive	-

iii. Board of Directors – Meeting Attendance 2009

Four scheduled and prescribed Board meetings were held during 2009. The Board Members' attendance and Directorship in other Saudi Joint Stock companies' is shown in the below table:

Ref	Member Name	Scheduled Board Meetings	Total Meetings Attended	Board Member of Other Saudi Joint Stock Companies
1	Omar H. Khalifati	4	4	Alujin Company
2	Abdul-Kareem Abu Alnasr	4	2 plus 1 Delegation	
3	AlSharif Khalid Alghalib	4	4	
4	Donald P. Hill	4	3 plus 1 Delegation	
5	Manfred Dirrheimer	4	4	
6	Arne Reif	4	3 plus 1 Delegation	
7	Uwe Reuter	4	3 plus 1 Delegation	
8	Omar Alesayi	4	4 Delegations	
9	Ahmed Banaja	4	4	SABB
10	Beshr Bakheet	4	2 plus 2 Delegations	
11	Mohammed Balsharaf	4	2 plus 1 Delegation	

All Board Members have provided signed declarations to ATC stating their Board Membership in any other Tadawul- listed Saudi joint stock public company.

iv. Board of Directors and Senior Executive Remuneration

ATC pays annual remuneration, meeting attendance fees and related applicable expenses for its Board and committees' members based on the rules and regulations of the relevant authorities. ATC also pays its senior executives in terms of the contracts signed with them. An analysis of the expenses related to the Board Members and Senior Executives during 2009 is shown in the following table:

Description	BoD and Sub-Committees	Five Top Executives – Including CEO and CFO
	SR 000's	SR 000's
Salaries/ Remuneration	803	2,540
Allowances	173	1,573
Bonuses	Nil	872
Total	976	4,985

5. Board of Directors Committees

ATC Board of Directors has established committees which include Board members and external independent members.

a. Executive Committee (EXCO)

The EXCO is comprised of three members, all of whom are full Board members as well. The EXCO held 7 meetings during 2009 and the table below shows the members and attendance:

Name	Position	Meetings Attended	Main Roles and Responsibilities
Donald P. Hill	Chairman	7	<ul style="list-style-type: none"> • Oversee and implement operational strategy • Implement Investment strategy • Oversee Risk Management • Oversee and implement corporate governance
Manfred Durrheimer	Member	7	
Ahmed Banaja.	Member	7	

A core focus of the EXCO in 2009 was to finalize and implement the Corporate Governance and Authority Matrix. These documents set out in detail the way ATC will conduct its business and operations as well as the internal structures and controls.

The EXCO also monitors and reviews the potential risks and uncertainties to which the Company may be exposed and to proactively ensure mitigation is in place or under development. Some of these risks are:

Liquidity Risk: ensuring ATC meets or exceeds the regulatory solvency and reserving requirements. In pursuing this, the committee ensures that cash reserves are not exposed to speculative investments or funds. Further the committee scrutinizes all new products prior to approval for development and focuses on the solvency and reserves these will demand.

Technology Risk: To ensure efficient and continuous support of services, a detailed SLA is signed between ATC and its technical partners which sets out full responsibilities and timelines to be adhered to ensuring service standards are maintained.

Regulatory Risk: Insurance is regulated by SAMA and as a joint stock company we also need to comply with the rules and regulations of the CMA. Whilst ATC has implemented and met the requirements, processes and personnel as per their regulations, the potential for the introduction of new regulations which could negatively impact the company does exist. The EXCO ensures that proper channels and levels of communication with regulators are maintained which affords ATC the opportunity of keeping abreast and current with these and any developments to be introduced. A measure of the success of this objective is borne out by the fact that ATC has not incurred any penalties or fines due to late submission of documents or reports or non-compliance with regulations.

b. Audit Committee

The Audit Committee (AC) was established by the Board and is comprised of three members with significant financial and accounting knowledge and is shown in the table below:

Name	Position	Meetings Attended	Main Roles & Responsibilities
Hussam H. Sadagah	Chairman	27	<ul style="list-style-type: none"> • To review the financial statements and give
Nabieh F. AlJehani	Member	26	
Arne Reif	ATC Board Member	7	

			<p>opinion and recommendation to the Board of Directors</p> <ul style="list-style-type: none"> • To review the internal audit procedure and give recommendations with respect to it • To ensure risk management policies are developed
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This AC is also responsible for supporting the Board in discharging its duties regarding evaluation and monitoring of internal controls, financial reporting process and disclosures, integrity of financial statements, adequacy of internal and external audits, qualifications, independence and recommendation of external auditors, and business and operational risk management processes.

The AC held 28 meetings during 2009 in fulfilling its commitment to supporting the Board and ATC in its start up phase. The committee met with internal and external auditors and reviewed all the financials throughout the year to ensure these met all the sufficiency of the financial requirements in terms of disclosures prior to submitting to the authorities and publishing results. Full reports were provided to the Board and Management throughout the year.

The AC assisted the Board in recommending the external auditors and supports the development of the internal audit plan. The AC will ensure the development of the risk management procedures in 2010.

ATC appointed Deloitte as consultants to assist in establishing our Internal Audit Department. Their mandate is to jointly with ATC Audit Committee develop the Internal Audit related manuals and conduct internal audit reviews jointly with ATC Internal Auditor as per its Internal Audit methodology.

At the last General Assembly meeting held in May 2009, the AC recommended to the Board to change one of the External Auditor firms and appoint an alternate local firm as part of the Company's strategy of preserving shareholders' capital in its start-up phase without compromising the quality of services. The meeting approved the resolution and the new External Auditor firm commenced audit from Q2 – 2009.

Finally, the Internal Auditor and Compliance Manager both report directly to the AC on a scheduled basis to provide feedback on progress and observations related to their activities in the Company.

c. **Nomination and Remuneration Committee**

This committee assists the Board and the Company in placing Senior Executives as well as advising on remuneration and incentive payouts to the Management and staff.

The committee is comprised of the members listed in the table below:

Name	Position	Meetings Convened**	Main Roles & Responsibilities
Ahmed Banaja	Member	Nil	<ul style="list-style-type: none"> • Assists the BoD and Management in placing Senior Executives • Assists Management in structuring compensation packages for potential candidates • Assists Management in structuring any extra or
Manfred Dirrheimer	Member	Nil	
Saud Sabban	Member	Nil	
Al Sharif Khalid Al Ghalib	Member	Nil	

			bonus payouts
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** During 2009 the NRC did not hold any meetings but they did approve appointments and executed related responsibilities by circulation.

d. Shariah Board

The Shariah Board is comprised of three of the most eminent and well-respected scholars in the Kingdom and are as follows:

Name	Position	Main Roles & Responsibilities
Sheikh Abdullah Bin Sulayman AlManea	Chairman	<ul style="list-style-type: none"> Ensures all products and process conform strictly to Shariah requirements Provides Management with guidance on Shariah approved investments
Sheikh Abdullah Bin AbdulAziz Al-Musleh	Member	
Sheikh Dr. Muhammad Al-Ali Al-Qari bin Eid	Member	

The Shariah Board meets monthly and ATC presented and obtained approval on five products at three of these meetings during 2009. These products are now awaiting regulatory approval from SAMA prior to being introduced.

6. List of Top Shareholders in ATC

Table reflecting shareholding of 5% or greater and the change in ownership during 2009, where applicable:

Ref	Name	Nationality	Number of Shares at Beginning 2009	Ownership at Beginning 2009	Number of Shares at End 2009	Variance
1	NCB	Saudi Company	3,000,000	30%	3,000,000	Nil
2	FWU	German Company	1,312,500	13.125%	1,312,500	Nil
3	IFC	Multinational Organization	1,312,500	13.125%	1,312,500	Nil
4	VHV	German Company	750,000	7.5%	750,000	Nil

7. List of Shares Owned by Board Members and/ or First-degree relatives

Ref	Name	Nationality	Number of Shares – Beginning 2009	Number of Shares – End 2009	Variance %	Change of Ownership of Relatives during 2009
1.	Omar H. Khalifati	Saudi	1,000	1,000	0	-
2.	Abdul-Kareem Abu Alnasr	Saudi	1,000	1,000	0	-
3.	AlSharif Khalid Alghalib	Saudi	1,000	1,000	0	-
4.	Don P. Hill	American	1,000	1,000	0	-
5	Manfred Dirrheimer	German	1,000	1,000	0	-
6.	Arne Johannes	German	1,000	1,000	0	-

	Reif					
7.	Uwe Reuter	German	1,000	1,000	0	-
8.	Omar Alesayi	Saudi	160,000	160,000	0	-
9.	Ahmed Banaja	Saudi	1,000	1,000	0	
10.	Beshr Bakheet	Saudi	1,000	1,000	0	-
11.	Mohammed Balsharaf	Saudi	1,000	1,000	0	-

8. List of Shares Owned by Senior Executives and/ or First-degree relatives

Ref	Name	Nationality	Number of Shares – Beginning 2009	Number of Shares – End 2009	Variance	Number of Shares of Relatives during 2009
-	-	-	-	-	-	-

All Senior Executives of ATC have signed declarations stating that neither they nor any of their immediate family members has had any shareholding in the Company for fiscal year 2009.

9. Related Party Transactions

Under the guidance of the CMA and the Ministry of Commerce and Industry (MOCI) regulations regarding related party transactions, ATC reports contracts, which are still in-force whereby the Company and Institutional Shareholders were a party. These contracts were entered into in previous years and have been kept because of continuous relationships prior to 2009. The contracts are specific for those relating to product and system development from FWU and product distribution from NCB according to the Cooperation and Distribution agreements, and have been approved by the relevant Regulators.

Additionally, during the fiscal year 2009, no contracts were found in which ATC was a party and there was interest for the Chief Executive Officer or Chief Financial Officer or any other person who may have a relationship with any of them.

Finally there is an agreement by Board resolution under which Board members who represent Institutional Shareholders have waived all their remuneration and fees, until such time that ATC returns a net profit.

10. Board Declaration – CMA Corporate Governance Code

In pursuing our objectives of transparency and full disclosure and in terms of the “comply or explain” approach embedded in the CMA Corporate Governance Code, the following were not applicable to ATC for 2009 and the company will disclose and report on these as and when they become applicable:

- There were no debt instruments issued by the Company or interest in voting shares issued to any person during the 2009 fiscal year;
- The Board further confirms that no cash loans were granted to any of its Board Members nor has the Company signed any guarantees in respect of any loan entered into by a Board Member with any third-parties;
- There are no stock option rights in the Company shares accruing to Board Members, top Executives or their Families;
- There are no debt instruments transferable to shares or any option rights, subscribing rights, or memorandum or similar rights issued or granted by ATC during the fiscal year 2009;
- there are no waivers or subscribing rights under debt instruments transferable to shares, option rights, or similar rights certifications issued or granted to ATC during 2009 fiscal year;

- There is no recovery, purchase or cancellation on the part of ATC to any recoverable debt instruments, and there is no arrangement or agreement under which any shareholder waived their rights to profits;
- ATC does not under its current policies and procedures provide any employee with stock option plans;
- ATC does not have any punishments, penalties or preventative restrictions placed on it by SAMA, CMA, MOCI or any other commercial or judiciary body;
- ATC does not have any preferred shares or shares with special priority in voting, whether to shareholders, directors or employees. All shares are ordinary shares of equal nominal value and rank equally in voting and any other rights as per the regulations;
- ATC is subject to the regulations of the Department of Zakat and Income Tax (DZIT) and records its Zakat provision and charges it to the Income Statement. Any amendments at the time of assessment are recorded as and when assessed and agreed with DZIT.
- The Board confirms that all the Company's activities and operations are conducted solely in the Kingdom of Saudi Arabia;
- The Board confirms that the books and all accounting reports issued comply with the requisite accounting standards according to International Financial Reporting Standards (IFRS) and commits to provide the CMA any additional information required should any reservations be expressed on the annual financial statements;
- SAMA has requested all listed insurance companies to prepare their financial statements in accordance with IFRS. CMA has exempted the listed insurance companies from complying with the Saudi Organization for Certified Public Accountants (SOCPA) reporting standards and allowed them to adopt the IFRS issued by the International Accounting Standards Board (IASB). All the regulatory required financial statements were approved by SAMA prior to being published on the TADAWUL website;
- ATC internal control systems and procedures are properly developed and effectively implemented;
- ATC declares that all accounting reports were prepared in a correct manner, and there is no doubt as to the ability of ATC to continue its business activities.

11. ATC 2009 compliance with the CMA issued Corporate Governance regulations

The table below summarizes the results of the ATC current Corporate Governance practices compared to the Corporate Governance regulations issued by CMA:

SN	Article Number – CMA Corporate Governance Regulations	Number of Clauses	Complied	Partially Complied	Not Complied	N/A	Commentary
1	Article 3 – General Rights of Shareholders	1	1				
2	Article 4 – Facilitation of Shareholders’ Exercise of Rights and Access to Information	2	2				
3	Article 5 – Shareholders Rights related to the General Assembly	10	10				
4	Article 6 – Voting Rights	4	2			1(6-b) 1(6-d)	Article 6(b): ATC currently has its inaugural board and will be appointing a new board at the next General Assembly, at which time cumulative voting will be applicable. Article 6(d): ATC does not have any investors who are judicial person acting on behalf of others.
5	Article 7 – Dividends Rights of Shareholders	2				2	ATC has not generated any profits in 2009 and therefore no dividends were declared.
6	Article 8 – Policies and procedures related to Disclosure	1	1				

7	Article 9 – Disclosure in the Board of Director’s Report	7	7				
8	Article 10 – Main functions of the Board	17	13	3 (10-a-1; 10-b-1; 10-b-3)	1 (10-e-5)		Article 10(a)(1), (b)(1), and (b)(3): ATC contracted with a leading company to develop a policy for risk management, which is in the process for completion.
9	Article 11 – Responsibilities of the Board	8	7			1 (11-h)	
10	Article 12 – Formation of the Board	9	9				
11	Article 13 – Committees of the Board	3	3				
12	Article 14 – Audit Committee	11	10		1 (b)		Article 14(b): The scope and duration of the Audit Committee is defined in ATC’s Corporate Governance Manual. The scope and duration of the Audit Committee will be recommended to the next General Assembly.
13	Article 15 – Nomination & Remuneration Committee	8	1		15 (b) 15(c)(2-6)	15(c)(1)	Article 15(b): The Selection, scope and duration of the Nomination and Remuneration Committee is defined in ATC’s Corporate Governance Manual. The guidelines for the Committee will be recommended to the next General Assembly. Article 15(c)(1): ATC

							currently has its inaugural board and will be appointing a new board at the next General Assembly. Article 15(c)(2) – (c)(5): These Articles are included in ATC’s Corporate Governance Manual.
14	Article 16 – Meetings of the Board	4	4				
15	Article 17 – Remuneration & Indemnification of Board Members	1	1				
16	Article 18 – Conflict of Interest within the Board	3	2		1 (18-a)		Article 18-a: The Chairman shall notify the next General Assembly about any Related Party Transaction with any shareholders, which were included in the Board Annual Report and approved by SAMA.

*Full compliance with the CMA regulations is expected to be achieved at the next General Assembly.

12. 2009 AGM Recommendations

1. Approval of the Board of Directors' Report for the year ended December 31, 2009;
2. Approval of the Final Accounts and the Auditors' Report for the year ended December 31, 2009;
3. To absolve the Board of Directors and its sub-committees from any liability pertaining to the management of the company for the year 2009;
4. The appointment of the external auditors recommended by the ATC Audit Committee to audit the quarterly and final accounts for 2010 at fees to be agreed.
5. Adoption of rules, recommended by the Board of Directors, for appointing the members of the Audit Committee and defining the term of their office and the procedure to be followed by the committee.
6. Adoption of rules, recommended by the Board of Directors, for the appointment of the members of the Nomination and Remuneration Committee, their remunerations, terms of office and the procedure to be followed by the committee.
7. Election of the new Board of Directors.

Thanks and Appreciation

The Board of ALAHLI TAKAFUL COMPANY takes this opportunity to extend its thanks and appreciation to the Custodian of the Two Holy Mosques and His Royal Highness the Crown Prince and all those committed to making special efforts to furthering the welfare and stability of the Kingdom.

The Board also extends its appreciation to the Government of the Custodian of the Two Holy Mosques for its supreme and continuous effort and support of the private sector in the Kingdom.

The Board also extends its thanks and appreciation to the esteemed shareholders for their continuous support, confidence and trust in our abilities.

Finally, the Board extends its deep appreciation to the Management and staff for their tireless efforts, support and commitment to achieving our goal and objectives. We will strive for our continued success and wish all a prosperous and healthy 2010.