



الرائدة
alraedah

AlRaedah Finance

Annual Report 2019

Financial Highlights



Originations

Increased by **20.76%**



Gross Revenue

Increased by **60.36%**



Net Income

Reduced by **23.49%**



Total Assets

Increased by **16.75%**



Applications 2019

114 units



Headcount

No Change (**48-Staff**)



KSA Overview

Saudi Arabia is the largest country in the Gulf region with a population of 32 million, and the largest economy in the Arab World with a GDP of USD 683.7 billion. It is the only G-20-member country in the region. According to Forbes Magazine, petroleum accounts for roughly 87 percent of budget revenues, 42 percent of GDP, and 90 percent of export earnings.

To diversify its economy away from oil, the government launched a broad and ambitious socio-economic reform plan known as Vision 2030. The program is aimed at diversifying the economy and creating private sector jobs for a growing population¹.



Following a deceleration in 2017, Saudi Arabia's GDP growth began to recover in the first quarter of 2018. It is estimated to have reached 2.2% in 2018 according to the IMF latest estimates and is set to further accelerate, reaching 2.3% in 2019.

The return to growth is attributed to a rebound in oil prices, a gradual acceleration in the growth of the non-oil economy and the government's shift away from a tight fiscal policy as announced in the 2018 and 2019 budgets.

In line with the Vision 2030, the restructuring of the economy to support stronger non-oil growth looks set to remain a central element of economic policy over the coming years, yet this is likely to be a gradual process, which requires some time to come into effect².

¹ <https://www.export.gov/article?id=Saudi-Arabia-Market-Overview>

² <https://content.knightfrank.com/research/1690/documents/en/saudi-arabia-market-review-forecast-2019-6090.pdf>



SME Market Overview

The economy of Saudi Arabia is characterized by a number of special features, the most important of which is being the biggest economy in the Middle East.

Saudi reforms are enhancing the growth of the SME sector to create jobs and boost the economy, as the Ministry of Labor launches 68 initiatives to stimulate private sector investment, according to several economy experts.

SME's are also contributing to the growth of the economy particularly after the establishment of the General Authority of Small and Medium Enterprises (Monsha'at) to guide and help structure overall businesses. Second to the UAE, Saudi Arabia has the most developed SME sector in the GCC.

The SME sector alone is a 2.2 trillion riyal opportunity in Saudi Arabia that is just waiting to happen.



63% of SMEs in the region have no access to finance.



SMEs in Saudi Arabia employ 62% of the total private sector workforce, but today only 7% are women. The opportunity is enormous, particularly as women are eager and ready; in 2016, 40% of Saudi startups were owned by women.



Saudi Arabia has shown a relatively low contribution from the SME sector in terms of GDP. The contribution of SMEs to GDP stands at 33%, which is low compared to the most developed economies.

The Saudi SME sector has significant potential, however the SME sector contribution to the Kingdom still lags behind global benchmarks.





SME Definition

SMEs are typically defined based on revenues and number of employees:

SME Size	Full Time Equivalents (FTEs)	Revenue (\$m)
Micro	1-5	0 – 0.8
Small	6-49	0.9 – 10.6
Medium	50-249	10.6 - 53

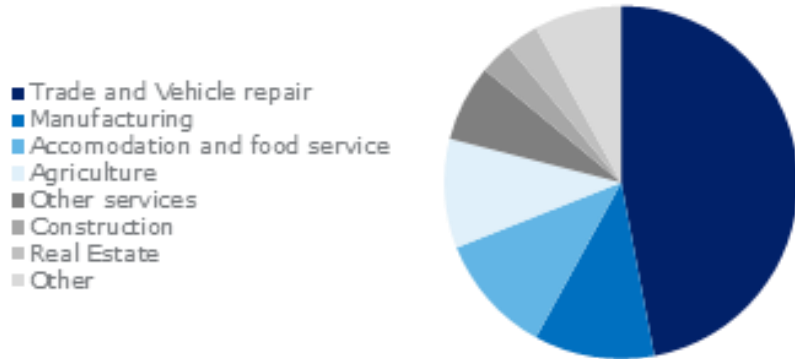
GASTAT 2017 SME Establishments Survey

The Saudi Arabian SME sector is comprised up of **1% Medium, 12% Small, and 87% Micro.**



Breakdown of SMEs by Sector

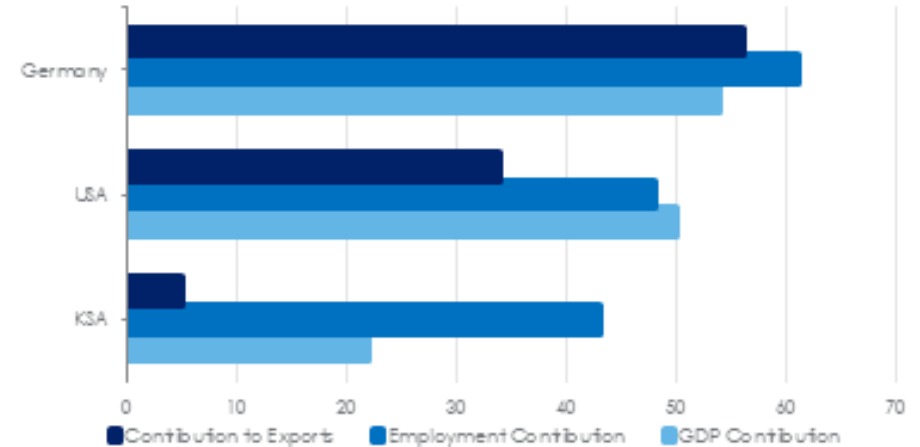
92% of SMEs belong to 7 sectors:



GASTAT 2017 SME Establishments Survey

Benchmarking KSA to the West

SME contribution in Kingdom lags benchmarks:



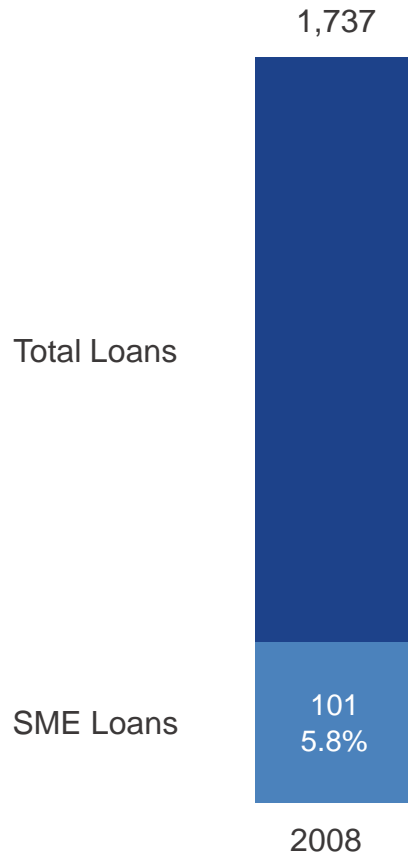
Key highlights of the SME Sector include the following:

- 1 SMEs employ over 61% of the private work force and 43% of the population according to Monsha'at data
- 2 SMEs make up 92 percent of the businesses in Saudi Arabia
- 3 There are roughly 1.8 million SME's in KSA according to the International Finance Corporation (IFC)



SME Loans versus Total Loans

Saudi bank lending share to SME's accounts to less than 6% of total commercial loan book excluding NBFIs:



Financing is a key challenge to increase SME contribution to GDP.



63% of SMEs in the region have no access to finance.



SMEs in Saudi Arabia employ 62% of the total private sector workforce, but today only 7% are women. The opportunity is enormous, particularly as women are eager and ready; in 2016, 40% of Saudi startups were owned by women.



Saudi Arabia has shown a relatively low contribution from the SME sector in terms of GDP. The contribution of SMEs to GDP stands at 33%, which is low compared to the most developed economies.

¹ Annual reports of banks 2017

² SAMA Monthly Bulletin report



Financing is a Key Challenge to the Sector

Financing is a key challenge to increase SME contribution to GDP:

1

SME Financing

SMEs receive less than 6% of all bank financing in KSA, most funding is going to Medium sized companies

2

Financing Companies

Non-banking finance institutions with stagnating volumes and high NPLs

3

Kafalah Program

Kafalah guarantees only 10% of SME loans

Financing is a Key Challenge to the Sector

The key Government sponsored programs facilitate the growth of the SME sector are described below:

Kafalah

The SMEs Loan Guarantee Program (KAFALAH) has maintained its ongoing key role in supporting small and medium enterprises Kingdom-wide with the aim of expanding the beneficiaries' base and creating new job opportunities to reduce unemployment rates in the Kingdom.

Monsha'at

In the effort to support the Kingdom's SME market, the government established a new program, "Monsha'at", whose main objectives include the following:

- ⌚ Organize, support, develop and sponsor the SME sector in accordance with best global practices
- ⌚ Increase the productivity of these enterprises
- ⌚ Increase their contribution by raising the GDP from 20% to 35% by 2030





Monsha'at works on supporting, developing and nurturing the SME sector in line with best global practices.

This is achieved by implementing and supporting programs and projects to promote the **cultural and spirit of entrepreneurship and innovation**, and **diversifying sources of financial support for SMEs**, in addition to **stimulating venture capital initiatives, setting policies and standards** for financing projects in the SME industry.

It also provides administrative and technical support for the establishments in developing their administrative, technical, financial, marketing, human resources and other capabilities while also enhances the collaboration between different governmental and international entities related to Monsha'at's objectives.

Despite being one of the fastest growing economies in the world, Saudi Arabia has shown a relatively low contribution from the SME sector, in terms of GDP and employment rate. The contribution of SMEs to GDP stands at 33%, which is low compared to the most developed economies. In Spain and the USA, SMEs contribute to 64.3% and 50% of GDP, respectively. However, it is higher compared to most of the GCC countries. Oman and Bahrain SMEs contribute to only 14% and 28% of GDP, respectively.



Company Overview



الرائدة
alraedah

AlRaedah Finance Company (the “Company”) is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration numbered 1010314982 issued in Riyadh on 21 Ramadan 1432H (corresponding to 21 August 2011). The Company is engaged in providing finance lease and finance for small and medium entities in the form of Murabaha & Ijarah in accordance with the Saudi Arabian Monetary Authority (“SAMA”) approval.

SAMA has issued the “Implementing regulations of the Law on supervision of Finance Companies” which were published on 24 February 2013 following the “Financial lease law” and “Law on supervision of Finance Companies” (the “laws”) published on 27 August 2012. These laws have given existing companies a grace period of two years to align their current position with the new law’s requirements. During the year ended 31 December 2014, the Company received a pre-approval license numbered 361000017087 on 2 Safar1436H (corresponding to 24 November 2014). SAMA has issued the company formal license on 30 Rabi Thani 1437H (corresponding to 9 February 2016) numbered 43/ASH/201602.



The Company has one branch in Buraydah under commercial registration numbered 1131056928 on 24 Shaban 1437H (corresponding to 31 May 2016) and one branch in Dammam under commercial registration numbered 2051222088 on 17 Dhul-Qadah 1439H (corresponding to 30 July 2018).

Name of Shareholders	Number of Share	% Ownership
Abdullah Al Dawood	13,000,000	86.66%
Shua'a Company	2,000,000	13.34%
Total	15,000,000	100.00%



Board of Directors Members and Meetings

The Board is comprised of the following members:

Board Members	Position	Classification	Board of Directors	Audit Committee	Risk Committee
Abdullah Bin Nasser Al Dawood	Chairman	Non-Executive	•		•
Abdulrahman Bin Abdulaziz Bin Mutrib	Vice Chairman	Non-Executive	•		•
Ibrahim Bin Abdulaziz Al Rashed	Member	Non-Executive	•		•
Abdulelah Bin Saad Bin Haddab	Member	Non-Executive	•	•	
Paul Anthony Melotto	Member & CEO Executive		•		

Board of Directors Members and Meetings

The Board meetings:

Board Meeting	Feb-2019	Apr-2019	Jun-2019	Nov-2019
Abdullah Bin Nasser Al Dawood	Attended	Attended	Attended	Attended
Abdulrahman Bin Abdulaziz Bin Mutrib	Attended	Attended	Attended	Attended
Ibrahim Bin Abdulaziz Al Rashed	Attended	Attended	Attended	Attended
Abdulelah Bin Saad Bin Haddab	Attended	Attended	Attended	Attended
Paul Anthony Melotto	Attended	Attended	Attended	Attended



Audit Committee Members and Meetings

The Audit committee is comprised of the following members:

Board Members	Position	Classification
Abdulelah Bin Saad Bin Haddab	Chairman of Audit Committee	Non-Executive
Turki Abdulmohsen Al-luhaid	Member	Independent
Alaa Abdulaziz Abu Nabaa	Member	Independent

Audit Committee Members and Meetings

The Audit committee is comprised of the following members:

Board Members	Apr-2019	Jun-2019	Jul-2019	Sep-19	Oct-19	Nov-19	Dec-19*
Abdulelah Bin Saad Bin Haddab	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Turki Abdulmohsen Al-luhaid	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Alaa Abdulaziz Abu Nabaa	Attended	Attended	Attended	Attended	Attended	Attended	Attended

*The meeting held on 01 Jan 2020.



Risk Committee Members and Meetings

The Risk committee is comprised of the following members:

Risk Committee Members	Position	Classification
Abdullah Bin Nasser Al Dawood	Chairman of the Risk Committee	Non-Executive
Abdulrahman Bin Abdulaziz Bin Mutrib	Member	Non-Executive
Ibrahim Bin Abdulaziz Al Rashed	Member	Non-Executive

Risk Committee Members and Meetings

The Risk committee meetings:

Risk Committee Members	May-2019	Nov-2019
Abdullah Bin Nasser Al Dawood	Attended	Attended
Abdulrahman Bin Abdulaziz Bin Mutrib	Attended	Attended
Ibrahim Bin Abdulaziz Al Rashed	Attended	Attended



Compensation of the Board of Directors and the Committees

Remunerations for Board of Directors

Board Members	Fixed remunerations (Except for allowances for attending BoD meetings)	Allowance for attending BoD meetings	Total *
Abdullah Bin Nasser Al Dawood	0.00	0.00	0.00
Abdulrahman Bin Abdulaziz Bin Mutrib	100,000	8,000	108,000
Ibrahim Bin Abdulaziz Al Rashed	0.00	0.00	0.00
Abdulelah Bin Saad Bin Haddab	100,000	8,000	108,000
Paul Anthony Melotto	0.00	0.00	0.00

*The Remuneration of the BoD must to be approved by the General Assembly which supposed to be held on Jun 2020.

Compensation of the Board of Directors and the Committees

Remunerations for Audit Committee Members

Audit Committee Members	Fixed remunerations (Except for allowances for attending the meetings)	Allowance for attending the meetings	Total
Abdulelah Bin Saad Bin Haddab	50,000	35,000	85,000
Turki Abdulmohsin Al-Luhaun	50,000	35,000	85,000
Alaa Abdulaziz Abu Nabaa	50,000	35,000	85,000



Compensation of the Board of Directors and the Committees

Remunerations for Risk Committee Members:

Risk Committee Members	Fixed remunerations (Except for allowances for attending the meetings)	Allowance for attending the meetings	Total
Abdullah Bin Nasser Al Dawood	0.00	0.00	0.00
Abdulrahman Bin Abdulaziz Bin Mutrib	0.00	0.00	0.00
Ibrahim Bin Abdulaziz Al Rashed	0.00	0.00	0.00



Operating Results

Income Statement	2019	2018	Var. (Amt)	Var. (%)
Income on financing activity	55,475,642	30,264,618	25,211,024	83.30%
Finance charges	11,632,196	3,960,382	7,671,814	193.71%
Net financing activities	43,843,446	26,304,236	17,539,210	66.68%
Other income	3,120,875	2,983,153	137,722	4.62%
Total operating income	46,964,321	29,287,389	17,401,488	60.36%
Operating expenses				
Salaries and employee related expenses	11,104,632	11,274,709	(170,077)	-1.51%
Selling and marketing expenses	3,926,686	3,442,212	484,474	14.07%
Rent and premises related expenses	116,664	1,201,639	(1,084,975)	-90.29%
Loss on assets acquired in satisfaction of claims	-	1,762,750	(1,762,750)	-100.00%
Other general and administrative expenses	3,870,037	4,328,279	(458,242)	-10.59%
Impairment loss on ijara & murabaha receivables	20,228,735	6,201,146	14,027,589	226.21%
Depreciation and amortization	1,813,066	825,454	987,612	119.64%
Total operating expenses	41,059,820	29,036,189	12,023,631	41.41%
Income before zakat	5,904,501	251,200	5,377,857	2250.52%
Zakat	(2,352,146)	25,120	(2,377,266)	-9463.64%
Reversal of excess zakat provision for prior years	-	(10,565,829)	10,565,829	-100.00%
Net income for the year	8,256,647	10,791,909	(2,810,706)	-23.49%



Net Income Before Zakat

Income before Zakat increased from SAR .25mn to SAR 5.90mn from 2018 to 2019 respectively. The increase in Net Income is due to increase in revenue by 83.3% which is due to increase in AIRaedah's portfolio by 40% compared to prior year 2018. There is also increase in other income by 4.62%.c

Income from Financing Activities

Income from Financing Activities increased by SAR 25.21mn which represent 83.3% increase from SAR 30.26mn to SAR 55.48mn. Increased in Net Income is due to increase in total portfolio by 40% which caused to increase in revenue by SAR 25.21mn. In addition, the Company has recognized Government Grant (GG) unearned revenue amounting of SAR 10mn which will be reversed into finance cost over the period of loans.

Finance Charges

Finance cost increased by SAR 7.67mn which represents 193.7% increase from SAR 3.96mn to SAR 11.63mn from 2018 to 2019 respectively. This is due to increase in Terms Loan from SAR 65.82mn to SAR 99.55mn from 2018 to 2019 respectively. The Company has booked decreased Fair value of IDL loans in finance cost amounting to SAR 8.2mn.

Salaries & Employee Related Expenses:

Salaries and employees related expenses slightly decreased by 1.51% from SAR 11.27mn to SAR.11.10mn from 2018 to 2019, respectively. There was no change in the number of employees which is 48 from the prior year 2018.

Operating Expenses

Total operating expense has recorded an increase of SAR 12.02mn reflecting a 41.41% increase compared to prior year 2018. This increase is mainly due to increase in Impairment loss of SAR 14.03mn compared to prior year 2018 following an increase in Depreciation & Amortization by SAR .98mn with an impact of IFRS 16 leases. However, there is major decrease in Loss on assets acquired in satisfaction of claims by SAR 1.76mn followed by decrease in Rent and premises related expenses by SAR 1.08mn.



Balance sheet	2019	2018	Amount	Var. (%)
Assets				
Cash and cash equivalents/bank balances	9,683,664.00	52,688,909.00	(43,005,245.00)	-81.62%
Ijara & murabaha receivables - current	136,521,853.00	116,157,283.00	20,364,570.00	17.53%
Prepaid expenses and deposits	8,998,081.00	7,669,569.00	1,328,512.00	17.32%
Total current assets	155,203,598.00	176,515,761.00	(21,312,163.00)	-12.07%
Ijara & murabaha receivables - long term	138,894,087.00	77,438,187.00	61,455,900.00	79.36%
Right-of-use asset	2,771,783.00	-	2,771,783.00	100.00%
Intangible assets	860,521.00	672,143.00	188,378.00	28.03%
Property plant and equipment, net	304,506.00	643,567.00	(339,061.00)	-52.68%
Total long term assets	142,830,897.00	78,753,897.00	64,077,000.00	81.36%
Total assets	298,034,495.00	255,269,658.00	42,764,837.00	16.75%
Liabilities				
Accounts payable and accruals	17,838,192.00	16,638,429.00	1,199,763.00	7.21%
Provision for zakat and income tax	1,448,889.00	3,869,766.00	(2,420,877).00	-62.56%
Borrowing - short term	31,071,558.00	31,588,606.00	(517,048.00)	-1.64%
Total current liabilities	50,358,639.00	52,096,801.00	1,738,162.00	-3.34%
Borrowing - long term	68,476,701.00	34,234,006.00	34,242,695.00	100.03%
Lease liability	1,881,954.00	-	1,881,954.00	100.00%
Employees' end of service benefits	1,067,055.00	945,352.00	121,703.00	12.87%
Total long term liability	71,425,710.00	35,179,358.00	36,246,352.00	103.03%
Total liability	121,784,349.00	87,276,159.00	34,508,190.00	39.54%
Equity				
Paid-up share capital	150,000,000.00	150,000,000.00	0.00	0.00%
Statutory reserves	2,243,819.00	1,418,154.00	825,665.00	58.22%
Retained earnings	24,006,327.00	16,575,345.00	7,430,982.00	44.83%
Total shareholders' equity	176,250,146.00	167,993,499.00	8,256,647.00	4.91%
Total liability and shareholders' equity	298,034,495.00	255,269,658.00	42,764,837.00	16.75%





Receivables

The Company's total receivables portfolio increased by 42.26% from SAR.193.5mn to SAR.275.4mn from 2018 to 2019. The increase is mainly due to the increase in company's new business resulting increase in total origination by 20% from 2018 to 2019.



Provision for Doubtful Debt

The Company provision increased by 30.8% from SAR.6.73mn to SAR.8.80mn from 2018 to 2019. The current economic conditions trigger the management to take action on basis of the expected recoveries and collaterals pledge against the loans.



Term Loans

The term loans of the Company has been increased by SAR33.75mm from SAR65.82mm to SAR99.54 million representing 51.24%. This is mainly due to Company has obtained two additional loans from Monsha'at. However, three loans from Gulf Int'l bank also paid off fully during the year.

Movement in provision for doubtful debts	2019	2018	2017
Balance at the beginning of the year	6,732,473.00	2,267,696.00	9,866,121.00
Impairment charge for the year	20,228,735.00	6,201,146.00	24,344,931.00
Written off during the year	(18,155,658.00)	(3,663,814.00)	(31,943,356.00)
Adoption of IFRS - 9	0.00	1,927,445.00	0.00
Balance at the end of the year	8,805,550.00	6,732,473.00	2,267,696.00



Accomplishments

2015

Changed name from Aalam Al Arab Installment & Leasing Limited to AlRaedah Finance Company

Converted Company Structure from LLC to Closed Joint stock Company

Increased Capital to SAR 150 mn

Increased Saudization Ratio to 64%

2016

Obtained SAMA License

Increased Bank facilities to two banks

Hired Company Risk Officer

Launched Branch in Al Qassim

Increased Saudization Ratio to 70%

2017

Received BIBAN award 2017

Implemented IFRS 9

Implemented AI/Machine Learning Platform

Hired Head of Compliance

Promoted previous Head of Compliance to Acting Head of Operations

2018

Expanded our borrowings from 50mn to SAR 200mn

Expanded company's footprint to Khobar

2019

Expanded our product offering to include Point of Sale finance product

Hired Chief Information Security Officer

Hired Head of Legal

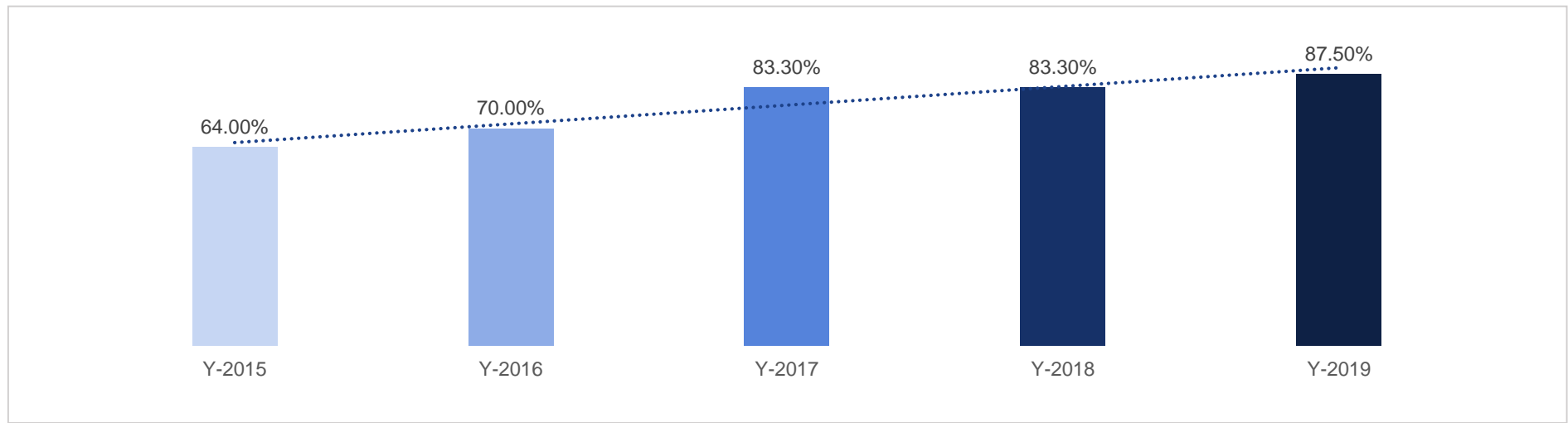
Signed partnership with Payment Aggregator Geidea

Signed partnership with Payment Aggregator Sure

Received Award for Most innovative products from Monsha'at



Saudization and Training



As a result of the Company's continuing commitment to increase nationalization, The Percentage of Saudi nationals to total staff as of December 31, 2019 increased to 87.5%.

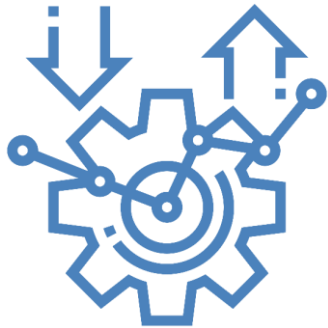
In addition, the Company increased its female staff reaching 27.08% of the total workforce of the Company as of December 31, 2019.

During the year ended December 31, 2019 the Company setup a special training program in the United Kingdom for Artificial Intelligence for the staff to learn and apply new techniques on our AI and machine learning platform.

The Company has held several training courses in Riyadh and Dubai for employees to gain meaningful work experience within our industry to leverage and improve our business practices.



Risk Management



The complexity of today's financial services sector, business operations, and diversity of geographical locations requires the **identification, measurement, aggregation, and effective management of risks** including an efficient allocation of capital to derive an optimal risk-return ratio. In addition, the stakeholders of the Company, including its regulators also expect the Company to have a **clear and well documented framework** in place that addresses several dimensions of the Company's business.

The Company has a comprehensive set of policies dealing with various aspects of risk management. The Risk Management Policy is the overarching Policy Guide prepared in conformity with SAMA guidelines which covers the risks the Company is exposed to in the pursuit of its business objectives. It also describes the risk governance structures and risk management policies in place for management, monitoring, and control of the risks through the Risk Appetite Framework & Credit Policy Guide.



The Company's activities expose it to a variety of financial risks: market risk (including currency risk and special commission rate risks), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by senior management. The most important risks and their oversight is summarized below.

Market Risk

Keeping in view the overall financial condition of the market, or in broad sense "Macro-Economic & Socio-Political" situation, the overall economy, especially financial industry has been under stressed position with reduced repayment ability of the customers. In order to cope up with the earlier stated situation the company "AIRaedah" has adapted an aggressive position over the collection function along with the Credit Underwriting function. The Company also perform an in depth segmental, "was-is" analytics etc. over the portfolio in order to keep the management updated with the movements within the portfolio.

Currency Risk

The Company activities are restricted to only "Local Currency" i.e. SAR, and therefore is not exposed to any risk related to other Currency Rates.

Commission Rate Risk

The Company currently uses profit rate swaps when available to the hedge spikes in funding cost that may arise when SIBOR increases.

Liquidity Risk

The Company keep a stringent control over the liquidity position by updating a daily cash report. Also the Company have "Credit Facility Line" contract with two banks in order to meet its business liquidity requirement.





Operational Risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Company's Operational Risk Management Policy provides a Company-wide definition of operational risk and lays down the processes under which the operational risks are to be identified, assessed, monitored, and controlled. The key components of this framework are comprehensively documented in the Company's operational risk policies document.



Credit Risk Management

The Company manages exposures to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in lending activities



Credit Risk Management Strategy

The approach to credit risk management is based on a foundation which preserves the independence and integrity of credit risk assessment. The Company has a comprehensive framework of managing credit risk, which includes an independent credit risk review function and credit risk monitoring process via analytics. Credit reporting processes are therefore combined with clear policies which guide the day-to-day underwriting and management of the Company's credit risk exposure. This approach includes credit limits that are established for all customers after a careful assessment of their creditworthiness. All procedures, outlined in the Company's Credit Policy Guide approved by the Board of Directors, require that all credit proposals must reviewed and approved by the Credit Committee and the Board of Directors.



Credit Risk Monitoring and Reporting System

Credit risk is monitored on an ongoing basis with formal monthly and quarterly reporting to the Risk Committee, senior management and the Board of Directors to ensure awareness of shifts in credit quality and portfolio performance along with changing external factors such as economic and business cycles.



Past-due and impairment

Credit facilities are classified as past due when a payment has not been received on its contractual payment date. A credit facility is generally considered impaired if the installment is past due for more than 90 days and the exposure is downgraded to a non-performing category.



Board of Directors Declaration

The Board of Directors hereby declares that to the best of its knowledge and belief and in all material respects:

Proper books and accounts have been maintained;

The System of internal control is sound in design; and

There is no significant doubts concerning the Company's ability to continue as a going concern

Audit Committee

The committee was reconstituted by a resolution of the Extraordinary General Assembly held on 19/09/1440 AH corresponding to 19/05/2019 AD. The committee meets a minimum of four times a year and consists of three non-executive members and the majority of its members are independent to ensure the independence of the audit process and the efficiency of the oversight process.

The committee works to study, review and discuss the company's financial statements before submitting them to the board of directors and expressing an opinion and recommendations about them. Further, the Committee follows up on the work of external and internal auditing, and follows up on the work of compliance and Anti-Money Laundering department. The committee also prepares a report on its opinion regarding the adequacy of the company's internal control framework and other work it has carried out within its responsibility.



Auditors

The General Assembly meeting held on May 19, 2019 appointed Ernst & Young as The Company's external auditor for the financial year 2019. And for the financial year 2020, the external auditor will be appointed at the meeting of the General Assembly which supposed to be held on June 2020.



Accounting Standards

The Company follows the Accounting Standards for Financial Institutions promulgated by the Saudi Arabian Monetary Agency (SAMA) and International Financial Reporting Standards (IFRS9) The Company also prepares its financial statements in compliance with the Regulations for Companies in the Kingdom of Saudi Arabia, and the Company's Articles of Association.

Shari'a Compliance

AlRaedah Finance has a Sharia Board that oversees all of its finance products. The Sharia Board includes the membership of Dr. Muhammad bin Saud Al-Osaimi, Dr. Yusuf bin Abdullah Al-Shubaili. Both members have extensive publications in relation to sharia compliant financial transaction. Both members are members of a number of esteemed banks and financial institutions. The Sharia Board is supported by a Sharia Board Secretariat and a sharia compliance Audit. All company transactions are audited for Sharia compliance on a quarterly basis.

