

L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

**L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**

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Independent Auditor's Review Report**To the Shareholders****L'azurde Company for Jewelry**

(A Saudi Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **L'azurde Company for Jewelry (the "Company") and its Subsidiaries** (collectively referred to as the **"Group"**) as at 31 March 2022 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 'Interim Financial Reporting ("IAS 34")', as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', as endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia.

Bakertilly MKM & Co. CPA
Certified Public Accountant**Majed Moneer AlNemer**

(License No. 381)

Riyadh, on Shawwal 21, 1443H

Corresponding to May 22, 2022



L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Notes	31 March 2022 (Unaudited) SAR	31 December 2021 (Audited) SAR
ASSETS			
Non-Current Assets			
Property and equipment		70,103,490	77,307,161
Right-of-use assets		42,776,718	49,797,196
Intangible assets and goodwill		137,740,954	137,932,585
Other non-current assets		1,917,753	2,239,933
Total Non-Current Assets		252,538,915	267,276,875
Current Assets			
Inventories		838,365,452	840,405,301
Accounts receivable	5	364,518,641	249,411,794
Other current assets		138,690,698	82,123,977
Gold margin		38,089,965	36,031,155
Cash margins		-	96,000
Cash and cash equivalents		74,529,862	74,501,484
Total Current Assets		1,454,194,618	1,282,569,711
TOTAL ASSETS		1,706,733,533	1,549,846,586
EQUITY AND LIABILITIES			
Equity			
Share capital	6	575,000,000	575,000,000
Statutory reserve		24,391,007	24,391,007
Retained earnings		33,068,741	19,356,855
Foreign currency translation reserve		(194,927,960)	(164,552,679)
Total Equity		437,531,788	454,195,183
Liabilities			
Non-Current Liabilities			
Employees' end of service benefits		30,696,560	30,449,015
Lease liabilities		21,862,163	25,181,958
Deferred tax liability		1,574,317	1,830,416
Total Non-Current Liabilities		54,133,040	57,461,389
Current Liabilities			
Accounts payable and other current liabilities		384,645,722	469,812,860
Current portion of lease liabilities		12,623,363	13,469,283
Short-term murabaha facilities	7	785,652,749	529,677,916
Zakat and income tax liability		32,146,871	25,229,955
Total Current Liabilities		1,215,068,705	1,038,190,014
Total Liabilities		1,269,201,745	1,095,651,403
TOTAL EQUITY AND LIABILITIES		1,706,733,533	1,549,846,586

Ayman Gamil
Ayman Gamil
Chief Financial Officer

Selim Chidiac
Selim Chidiac
Chief Executive Officer

Sabah Al Moayyed
Sabah Almoayyed
Authorized Board Member

The annexed notes from 1 – 15 form an integral part of these Interim Condensed Consolidated Financial Statements

L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

	Notes	31 March 2022 (Unaudited) SAR	31 March 2021 (Unaudited) SAR
REVENUE			
Gold		462,777,146	412,541,560
Operations		151,746,879	138,854,517
		<u>614,524,025</u>	<u>551,396,077</u>
COST OF REVENUE			
Gold		(462,777,146)	(412,541,560)
Operations		(52,578,764)	(54,268,643)
		<u></u>	<u></u>
GROSS PROFIT		99,168,115	84,585,874
OPERATING EXPENSES			
Selling and marketing expenses		(53,345,378)	(45,144,101)
General and administrative expenses		(12,893,845)	(10,796,545)
Provision for expected credit loss		(2,872,522)	(765,434)
		<u></u>	<u></u>
OPERATING PROFIT		30,056,370	27,879,794
OTHER EXPENSES			
Other income / (expenses) – net		578,940	(2,010,428)
Finance costs – net		(8,128,534)	(9,511,233)
		<u></u>	<u></u>
PROFIT BEFORE ZAKAT AND INCOME TAX		22,506,776	16,358,133
Zakat	8	(3,008,279)	(3,128,223)
Income tax	8	(5,786,611)	(3,059,677)
		<u></u>	<u></u>
NET PROFIT FOR THE PERIOD		13,711,886	10,170,233
NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the Parent Company		<u>13,711,886</u>	<u>10,170,233</u>
EARNINGS PER SHARE:			
Basic	9	0.24	0.24
Diluted	9	0.24	0.24

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**L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**

	31 March 2022 (Unaudited) SAR	31 March 2021 (Unaudited) SAR
NET PROFIT FOR THE PERIOD	13,711,886	10,170,233
OTHER COMPREHENSIVE (LOSS)/INCOME		
<i>Items that will be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	<u>(30,375,281)</u>	<u>578,747</u>
Other comprehensive (loss)/income for the period – net of tax	<u>(30,375,281)</u>	<u>578,747</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u>(16,663,395)</u>	<u>10,748,980</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO:		
Equity holders of the Parent Company	<u>(16,663,395)</u>	<u>10,748,980</u>

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**L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**

	Share Capital SAR	Statutory Reserve SAR	Retained Earnings SAR	Foreign Currency Translation Reserve SAR	Total SAR
THREE-MONTH PERIOD ENDED 31 MARCH 2022					
Balance at 1 January 2022 (Audited)	575,000,000	24,391,007	19,356,855	(164,552,679)	454,195,183
Net profit for the period	-	-	13,711,886	-	13,711,886
Other comprehensive loss for the period	-	-	-	(30,375,281)	(30,375,281)
Total comprehensive loss for the period	-	-	13,711,886	(30,375,281)	(16,663,395)
Balance at 31 March 2022 (Unaudited)	575,000,000	24,391,007	33,068,741	(194,927,960)	437,531,788
THREE-MONTH PERIOD ENDED 31 MARCH 2021					
Balance at 1 January 2021 (Audited)	430,000,000	22,186,724	9,911,958	(164,772,276)	297,326,406
Net profit for the period	-	-	10,170,233	-	10,170,233
Other comprehensive income for the period	-	-	-	578,747	578,747
Total comprehensive income for the period	-	-	10,170,233	578,747	10,748,980
Balance at 31 March 2021 (Unaudited)	430,000,000	22,186,724	20,082,191	(164,193,529)	308,075,386

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**L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**

	31 March 2022 (Unaudited) SAR	31 March 2021 (Unaudited) SAR
OPERATING ACTIVITIES		
Profit before zakat and income tax	22,506,776	16,358,133
Adjustments to reconcile profit before zakat and income tax to net cash from operating activities:		
Depreciation of property and equipment	3,767,147	3,923,079
Depreciation of right-of-use assets	7,004,804	6,921,236
Amortization of intangible assets	565,900	550,478
Provision for employees' end of service benefits	938,730	1,694,742
Provision for expected credit losses	2,872,522	765,434
Finance costs – net	7,987,720	9,408,160
Loss / (gain) on sale of property and equipment and intangible assets	138,411	(18,146)
Melting costs and charge for slow moving inventory	1,349,986	1,068,199
Foreign currency exchange differences - net	(1,508,057)	10,244
Operating income before changes in working capital	45,631,939	40,681,559
Net changes in working capital:		
Inventories	(10,525,010)	58,701,800
Accounts receivable	(121,246,882)	(12,613,710)
Other current assets	(61,463,113)	3,700,507
Accounts payable and other current liabilities	8,019,152	18,100,882
Account payable for gold	(90,030,772)	168,789,065
Gold margin	(2,058,810)	4,073,079
Short term murabaha facilities	255,974,833	(259,970,284)
Cash generated from operating activities	24,301,337	21,462,898
Employees' end of service benefits paid	(347,437)	(848,123)
Finance costs paid – gold facilities	(6,614,366)	(4,242,420)
Income taxes paid	-	(550,279)
Net cash generated from operating activities	17,339,534	15,822,076
INVESTING ACTIVITIES		
Purchase of property and equipment	(2,153,348)	(4,587,267)
Proceeds from sale of property and equipment	3,640	18,150
Purchase of intangible assets	(438,356)	(438,189)
Other non-current assets	322,180	(116,026)
Net cash used in investing activities	(2,265,884)	(5,123,332)
FINANCING ACTIVITIES		
Cash facilities (Tawaruq)	-	(12,176,519)
Long-term murabaha facility	-	(11,000,000)
Repayments of lease liabilities	(6,059,533)	(6,880,560)
Finance costs paid – cash facilities	(703,265)	(3,195,801)
Cash margins	96,000	18,887,390
Net cash used in financing activities	(6,666,798)	(14,365,490)
Net change in cash and cash equivalents	8,406,852	(3,666,746)
Cash and cash equivalents at beginning of the period	74,501,484	141,363,622
Exchange differences on cash and cash equivalents	(8,378,474)	191,560
Cash and cash equivalents at end of the period	74,529,862	137,888,436

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Chief Financial Officer**

Selim Chidiac

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The annexed notes from 1 – 15 form an integral part of these Interim Condensed Consolidated Financial Statements

**L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

L'azurde Company for Jewelry (the "Company", "Parent Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010221531 dated 26 Jumad Thani 1427H (corresponding to 22 July 2006). The Company's head office is located in Second Industrial Area, P.O. Box 41270, Riyadh 11521, Kingdom of Saudi Arabia.

The Company and its subsidiaries (together referred to as the "Group") are engaged in the production, manufacturing, forming and forging golden wares, jewelry, precious stones and golden alloys in accordance with the ministerial resolution number 1354/S and dated 15 Rabi Thani 1429H (corresponding to 21 April 2008). The Group's other permissible activities include distribution of glasses, watches, accessories, pens, perfumes, leather products and export of gold wares, alloys, and silver.

The Group carries out its activities through various branches in the Kingdom of Saudi Arabia and Kuwait and through subsidiaries in the Kingdom of Saudi Arabia, the United Arab Emirates, the Arab Republic of Egypt, the State of Qatar and the Sultanate of Oman. All these branches and subsidiaries are engaged in the manufacturing and/or trading of jewelry, gold, and silver products.

The Parent Company directly or indirectly owns 100% as at 31 March 2022 (31 December 2021: 100%) share capital in each subsidiary except L'azurde Company for Jewellery LLC ("LCJ Qatar") in the State of Qatar. The direct ownership of the Parent Company in LCJ Qatar is 49%, however, based on the agreement with the nominee shareholder of LCJ Qatar, the Parent Company is entitled to 98% of the economic benefits of LCJ Qatar.

The Group carries out its activities through the following subsidiaries as set out below:

- a) **ORO Egypt for Manufacturing Precious Metals ("ORO")**
ORO is a Joint Stock Company incorporated in the Arab Republic of Egypt under Commercial Registration no. 7877 dated 27 January 2003. The principal activities of ORO are gold jewelry manufacturing and trading.
- b) **L'azurde Egypt for Jewellery LLC ("LJ Egypt")**
LJ Egypt is a Limited Liability Company incorporated in the Arab Republic of Egypt under Commercial Registration no. 14997 dated 08 June 2005. The principal activities of LJ Egypt are gold jewelry manufacturing and trading.
- c) **L'azurde Company for Jewellery LLC ("LCJ Dubai")**
LCJ Dubai is a Limited Liability Company incorporated in the United Arab Emirates (Dubai) under Commercial Registration no. 620369 dated 23 December 2008. The principal activity of LCJ Dubai is trading of gold jewelry items.
- d) **L'azurde Jewellery LLC ("LJ Abu Dhabi")**
LJ Abu Dhabi is a Limited Liability Company incorporated in the United Arab Emirates (Abu Dhabi) under Commercial Registration no. 1060233 dated 1 June 2004. The principal activity of LJ Abu Dhabi is trading of gold jewelry items.
- e) **L'azurde Company for Jewellery LLC ("LCJ Qatar")**
LCJ Qatar is a Limited Liability Company incorporated in the State of Qatar under Commercial Registration no. 60716 dated 21 May 2013. The principal activity of LCJ Qatar is trading of gold jewelry items.
- f) **Almujwharat Almasiah LLC ("AA")**
AA is a Limited Liability Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration number 1010236734 dated 25 Rajab 1428H (corresponding to 8 August 2007). The principal activities of AA are trading of gold and silver products and precious stones.

**L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022 (CONTINUED)**

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (continued)

g) Kenaz LLC ("Kenaz")

Kenaz is a Limited Liability Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration no. 1010352574 dated 21 Dhul Qadah 1433H (corresponding to 6 October 2012). The principal activities of Kenaz are trading of gold and silver products and precious stones.

h) L'azurde Group for Gold and Jewellery DMCC ("L'azurde DMCC")

L'azurde DMCC is a Limited Liability Company registered with Dubai Multi Commodities Centre Authority, UAE under Trade License No. DMCC 108442 dated 26 February 2015. The principal activity of L'azurde DMCC is trading of pearls, precious stones and gold jewellery.

i) L'azurde Jewellery LLC ("LJ Oman")

LJ Oman is a Limited Liability Company registered in the Sultanate of Oman under Commercial Registration no. 1320525 dated 30 May 2018. The principal activity of LJ Oman is manufacturing, and trading of jewelry made from precious metals or stones.

j) Izdiad Commercial Company of Arabia ("Izdiad")

Izdiad is a Limited Liability Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 1010458294 dated 25 Dhul Hijjah 1439H (corresponding to 5 September 2018). The principal activity of Izdiad is the trading of jewellery, perfume, men and women accessories, leather products and managing franchises and trademarks.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as endorsed in Kingdom of Saudi Arabia by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and other standards and pronouncements issued by SOCPA. The interim condensed consolidated financial statements should be read in conjunction with the Group's last annual audited consolidated financial statements as at and for the year ended 31 December 2021. They do not include all the information required for a complete set of IFRS financial statements; however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to obtain understanding of the changes in Group's financial position and performance since 31 December 2021.

The interim condensed consolidated financial statements for the period ended 31 March 2022 were approved and authorized for issue by the Board of Directors on 22 May 2022.

2.2 Preparation of the Financial Statements

These interim condensed consolidated financial statements have been prepared under historical cost basis except for employees' end of service benefits provision which has been valued by an independent professional actuary and certain financial assets and financial liabilities which are measured at fair value.

2.3 Functional and Presentation Currency

The interim condensed consolidated financial statements are presented in Saudi Riyal (SAR), which is also the functional and presentational currency of the Parent Company. All amounts have been rounded-off to the nearest Saudi Riyal unless otherwise stated.

L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022 (CONTINUED)

2. BASIS OF PREPARATION (continued)

2.4 Use of Estimates and Judgments

The preparation of interim condensed consolidated financial statements in accordance with IFRSs applicable in the Kingdom of Saudi Arabia requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities, income, and expenses. Actual results may differ from these estimates.

The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainties were the same as those disclosed in the last annual consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. New Standards, Amendment to Standards and Interpretations:

There are no new standards issued; however, there are number of amendments to standards which are effective from 1 January 2022 and have been explained in Group's annual consolidated financial statements, but they do not have a material effect on the Group's interim condensed consolidated financial statements.

5. ACCOUNTS RECEIVABLE

	31 March 2022 (Unaudited) SAR	31 December 2021 (Audited) SAR
Accounts receivable - Gross	399,674,687	284,136,069
Provision for expected credit losses	(35,156,046)	(34,724,275)
Accounts receivable - Net	364,518,641	249,411,794

Accounts receivable originate from offering term facilities to the Group's wholesale customers to pay their commitments, including the value of the gold purchased. These credit terms are in response to the demand of Group's wholesale customers and are considered to be in compliance with Shari'a provisions according to Shari'a opinion issued by the Shari'a Advisory Committee of the Council of Saudi Chambers, a number of Shari'a Scholars and the conclusion of the meetings between these Scholars and the Group's management (see note 13). Credit sales are only offered to the Group's wholesale customers and not retail customers.

6. SHARE CAPITAL

The authorized and paid-up share capital of the Group as at 31 March 2022 is SAR 575,000,000 (31 December 2021: SAR 575,000,000), divided into 57,500,000 shares as at 31 March 2022 (31 December 2021: 57,500,000 shares) with a face value of SAR 10 per share.

**L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022 (CONTINUED)**

7. SHORT-TERM MURABAHA FACILITIES

		31 March 2021 (Unaudited) SAR	31 December 2021 (Audited) SAR
	Note		
Gold facilities (Murabaha)	7.1	785,652,749	529,677,916

7.1 Total gold procurement facilities of the Group at 31 March 2022 amounted to SAR 785.6 million compared to SAR 529.7 million at 31 December 2021. All outstanding financial facilities agreements are in the form of Murabaha and Tawaruq agreements to finance the supply of pure gold.

The Group has Islamic Murabaha facilities to obtain gold from various banks to finance gold working capital requirements, with maturity periods ranging from 1 to 3 months (2021: 1 to 3 months) with agreed profit rates. All of these financial facilities are compliant with Shari'a principles as per Shari'a certificates issued by banks' internal Shariaa Committees including Murabaha facilities (Tawaruq) to finance the purchase of gold, as banks buy commodities other than gold or silver and then sell them to the Group on a credit basis. The Group then sells the goods to a third party, and the bank immediately buys the gold using cash sales proceeds of the commodity.

8. ZAKAT AND INCOME TAX

Zakat for the period

Zakat charge on the Group for the three-month period ended 31 March 2022 amounted to SAR 3.0 million (31 March 2021: SAR 3.1 million).

Income taxes related to foreign subsidiaries for the period

Income tax charges on subsidiaries for the three-month period ended 31 March 2022 amounted to SAR 5.8 million (31 March 2021: SAR 3.1 million).

ORO Egypt Company ("ORO") and L'azurde Egypt for Jewellery LLC ("LJ Egypt") have accrued income tax on their estimated taxable profit at 22.5%. L'azurde Company for Jewellery LLC ("LCJ Qatar") and L'azurde Jewellery LLC ("LJ Oman") have accrued income tax on their estimated taxable profits at 10% and 15% respectively.

Status of zakat assessments

The Company has filed the zakat returns for all the years up to 2021 and obtained respective zakat certificates. The Company has received an assessment for the years 2015-2020 with a liability of approximately SAR 6.9 million, in addition to delay penalty, relating to a potential income tax liability on one of its previous shareholders. The Company has appealed to General Secretariat for Zakat, Tax and Customs Committees (GSTC) and no response has been received from GSTC. No provision was created for this assessment as the Company believes that this matter relates to previous shareholders.

Status of income tax assessments related to foreign subsidiaries

ORO, registered in Arab Republic of Egypt, was exempt from Corporate Income Tax until 31 December 2014 according to the Egyptian Law number 8 of the year 1997. ORO received tax assessments and settled its tax liabilities on non-exempt activities till the year 2014. ORO paid all taxes due on its non-exempt activities to date.

LJ Egypt, registered in Arab Republic of Egypt, was exempt from income tax on its commercial and manufacturing operations for a period of 10 years ended 31 December 2018. LJ Egypt paid all taxes due on its non-exempt activities to date.

**L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022 (CONTINUED)**

8. ZAKAT AND INCOME TAX (continued)

L'azurde Jewellery LLC ("LJ Oman"), registered in the Sultanate of Oman, filed its tax return for year ended 31 December 2021 and no assessment has been received yet.

L'azurde Company for Jewellery LLC ("LCJ Qatar"), registered in the State of Qatar, filed its tax return for year 2021 and the tax assessments for the company have been finalized up to year ended 31 December 2015.

Lazurde Company for Jewellery LLC ("LCJ Dubai"), L'azurde Jewellery LLC ("LJ Abu Dhabi") and L'azurde Group for Gold and Jewellery DMCC ("L'azurde DMCC") are registered in the United Arab Emirates which is a tax-free country, so no tax returns have been filed.

9. EARNINGS PER SHARE - BASIC AND DILUTED

	31 March 2022 (Unaudited)	31 March 2021 (Unaudited)
Basic and diluted earnings/(loss) per share		
Net profit for the period attributable to equity holders of the parent (in SAR)	13,711,886	10,170,233
Weighted average number of ordinary shares during the period	57,500,000	43,000,000
Basic and diluted earnings per share (in SAR)	0.24	0.24

There is no dilution effect on the basic earnings per share of the Group as the Group has no convertible dilutive potential ordinary shares outstanding as at 31 March 2022 and 31 March 2021.

The weighted average number of ordinary shares during the current period has changed as the capital increase by way of rights issue happened on 30 June 2021.

10. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Group include shareholders, Board of Directors, key management personnel and entities of which they are principal owners. The terms of the transactions with related parties are approved by the Group's management. Transactions with related parties are entered and expected to be settled in the normal course of the Group's business. Pricing policies and terms of these transactions are at arm's length.

Transactions with related parties during the period and the balances as at end of the period/year are as follows:

Nature of transactions		Amount of Transactions		Balances	
		31 March 2022 (Unaudited)	31 March 2021 (Unaudited)	31 March 2022 (Unaudited)	31 December 2021 (Audited)
		SAR	SAR	SAR	SAR
<u>Due to related parties:</u>					
Other affiliates:					
Board of Directors and key management personnel Director	Remuneration	2,530,068	2,361,041	696,981	685,698
	Consultancy	88,125	125,625	88,125	88,125
		2,618,193	2,486,666	785,106	773,823

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11. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to chief operating decision makers of the Company. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments have been identified as the Executive Management and Board of Directors. For management purpose, the Company is organized into the following operating segments:

A. Operating segments:

	<u>Wholesale SAR</u>	<u>Retail SAR</u>	<u>Total SAR</u>
<u>Three-month ended 31 March 2022 (Unaudited):</u>			
Revenues – Gold	462,777,146	-	462,777,146
– Operations	92,825,420	58,921,459	151,746,879
Gross profit	67,073,310	32,094,805	99,168,115
<u>As at 31 March 2022 (Unaudited):</u>			
Net book value of property and equipment	60,520,027	9,583,463	70,103,490
Total assets	1,444,725,891	262,007,642	1,706,733,533
Total liabilities	(1,229,419,402)	(39,782,343)	(1,269,201,745)
<u>Three-month ended 31 March 2021 (Unaudited):</u>			
Revenues – Gold	412,541,560	-	412,541,560
– Operations	81,156,227	57,698,290	138,854,517
Gross profit	55,820,987	28,764,887	84,585,874
<u>As at 31 December 2021 (Audited):</u>			
Net book value of property and equipment	65,675,051	11,632,110	77,307,161
Total assets	1,287,240,832	262,605,754	1,549,846,586
Total liabilities	(1,061,683,230)	(33,968,173)	(1,095,651,403)

12. FINANCIAL INSTRUMENTS

Fair value measurements of financial instruments

Assets and liabilities measured at fair value in the interim condensed consolidated statement of financial position are grouped into three levels of fair value hierarchies. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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12. FINANCIAL INSTRUMENTS (continued)

	Fair value (in SAR)			
31 March 2022 (Unaudited):	Level 1	Level 2	Level 3	Total
Financial assets:				
Accounts receivable	315,350,501	-	-	315,350,501
Other current assets	95,008,658	-	-	95,008,658
Gold margins	38,089,965	-	-	38,089,965
Financial liabilities:				
Account payable for gold	321,675,848	-	-	321,675,848
Short-term murabaha facilities	785,652,749	-	-	785,652,749
31 December 2021 (Audited):				
Financial assets:				
Accounts receivable	217,109,333	-	-	217,109,333
Other current assets	28,595,816	-	-	28,595,816
Gold margins	36,031,155	-	-	36,031,155
Financial liabilities:				
Account payable for gold	411,706,620	-	-	411,706,620
Short-term murabaha facilities	529,677,916	-	-	529,677,916

13. COMPLIANCE WITH SHARI'A RULES

In accordance with Shari'a Standard no. 21 "Financial Paper (Shares and Bonds)" issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Company's management has the following conclusions:

- The Group's main operations of gold and jewelry manufacturing is a Shari'a compliant activity in principle;
- All credit facilities and financing availed by the Group from banks during the audit period are in compliance with the Shari'a standards; and
- Cash sales through retail outlets and cash wholesale sales on credit are in compliance with Shari'a according to some Scholars and certain school of thoughts.

The Group relies in its policies for wholesale gold sales on selling gold jewelry on credit basis against gold or crushed gold that is equal to it in weight plus an additional charge for workmanship, based on the Shari'a opinion which permits selling of gold jewelry on credit basis. This is the point of view of a group of scholars of Islamic jurisprudence, including Imam Ibn Taymiyah and his disciple Ibn al-Qayyim, which also includes a number of contemporary scholars, including a number of members of the Shari'a Board of AAOIFI, as well as issuance of Shari'a opinion by the Shari'a Advisory Committee of the Council of Saudi Chambers; based on a request of the National Committee for Precious Metals and Gemstones regarding sale of gold jewelry by gold traders and manufacturers, where their conclusion stipulated the permissibility of gold and silver credit sales between retailers and wholesalers and manufacturers, subject to the following guidelines:

- Ensures the permissibility of gold ornaments manufacturing;
- Ensures that fabricated ornament has significant value and not unreal cover to usury provisions; and
- Ensures that ornament's fabricated gold is required for purchase by itself and not only the pure gold.

This is one of the legitimate conclusions on dealing in the trade of gold jewelry and is not considered a breach of the Group's compliance with the Shari'a rules and does not affect the Shari'a classification of the Group's activities.

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14. DIVIDENDS

On 13 Shaaban 1443H (corresponding to 16 March 2022), the Board of Directors proposed a distribution of cash dividends for the year 2021 amounting to SR 14,375,000 (at SR 0.25 per share). The proposed dividends are subject to approval of the shareholders in the upcoming Annual General Assembly.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation in the current period.