

**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 AND SIX-MONTH PERIODS  
ENDED 30 JUNE 2021**

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 2021**

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<b><u>INDEX</u></b>	<b><u>PAGE</u></b>
Independent Auditor's Review Report	1
Interim Condensed Consolidated Statement of Financial Position	2
Interim Condensed Consolidated Statement of Profit or Loss	3
Interim Condensed Consolidated Statement of Comprehensive Income	4
Interim Condensed Consolidated Statement of Changes in Equity	5
Interim Condensed Consolidated Statement of Cash Flows	6
Notes to the Interim Condensed Consolidated Financial Statements	7 - 14

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

(A Saudi Joint Stock Company)

Riyadh, 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 of 30 June 2021 and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and six-month periods ended 30 June 2021 and the interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended and a summary of the significant accounting policies 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 (IAS) 34 'Interim Financial Reporting', which is 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 the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed consolidated financial statements consists of making inquiries, primarily to 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 that are endorsed in the Kingdom of Saudi Arabia 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 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

**BAKER TILLY MKM & CO.**  
*Certified Public Accountants***Majid Muneer Alnemer**  
License No. 381Riyadh in 29 Dhul-Hijja 1442H  
Corresponding to 8 August 2021G

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**

		30 June 2021 (Unaudited) SAR	31 December 2020 (Audited) SAR
	Notes		
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property and equipment		82,114,055	80,923,715
Right-of-use assets		29,190,810	33,696,747
Intangible assets and goodwill		138,735,922	139,167,816
Other non-current assets		2,132,001	1,798,095
<b>Total Non-Current Assets</b>		<b>252,172,788</b>	<b>255,586,373</b>
<b>Current Assets</b>			
Inventories		808,024,147	817,847,122
Accounts receivable	5	287,810,744	264,064,600
Other current assets		76,555,798	100,834,394
Gold margin		34,768,556	37,407,396
Cash margins		14,047,800	32,935,190
Cash and cash equivalents		137,658,207	141,363,622
<b>Total Current Assets</b>		<b>1,358,865,252</b>	<b>1,394,452,324</b>
<b>TOTAL ASSETS</b>		<b>1,611,038,040</b>	<b>1,650,038,697</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	6	575,000,000	430,000,000
Statutory reserve		22,186,724	22,186,724
Retained earnings		20,386,831	9,911,958
Foreign currency translation reserve		(164,420,298)	(164,772,276)
<b>Total Equity</b>		<b>453,153,257</b>	<b>297,326,406</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Long-term murabaha facility	7	-	55,000,000
Employees' end of service benefits		28,817,621	27,508,541
Lease liabilities		14,578,214	13,581,649
Deferred tax liability		1,728,704	1,725,119
Long-term payable		-	11,318,649
<b>Total Non-Current Liabilities</b>		<b>45,124,539</b>	<b>109,133,958</b>
<b>Current Liabilities</b>			
Accounts payable and other current liabilities		480,266,167	309,722,808
Current portion of long-term murabaha facility	7	-	20,000,000
Current portion of lease liabilities		9,704,150	15,872,614
Current portion of long-term payable		52,558,852	40,845,560
Short-term murabaha facilities	8	552,536,292	837,600,269
Zakat and income tax liability	9	17,694,783	19,537,082
<b>Total Current Liabilities</b>		<b>1,112,760,244</b>	<b>1,243,578,333</b>
<b>Total Liabilities</b>		<b>1,157,884,783</b>	<b>1,352,712,291</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,611,038,040</b>	<b>1,650,038,697</b>
<div style="display: flex; justify-content: space-between; align-items: flex-end;"> <div style="text-align: center;"> <p><i>Ayman Gamil</i>  Ayman Gamil  Chief Financial Officer</p> </div> <div style="text-align: center;"> <p><i>Selim Chidiac</i>  Selim Chidiac  Chief Executive Officer</p> </div> <div style="text-align: center;"> <p><i>Sabah Al Moayyed</i>  Sabah Al Moayyed  Authorized Board Member</p> </div> </div>			

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**  
**(UNAUDITED)**  
**FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 2021**

	Notes	Three-month period ended		Six-month period ended	
		30 June	30 June	30 June	30 June
		2021	2020	2021	2020
		SAR	SAR	SAR	SAR
<b>REVENUE</b>					
Gold		353,998,290	121,948,997	766,539,850	452,588,527
Operations		121,403,873	48,970,738	260,258,390	163,320,000
		<u>475,402,163</u>	<u>170,919,735</u>	<u>1,026,798,240</u>	<u>615,908,527</u>
<b>COST OF REVENUE</b>					
Gold		(353,998,290)	(121,948,997)	(766,539,850)	(452,588,527)
Operations		<u>(45,920,810)</u>	<u>(27,862,897)</u>	<u>(100,189,453)</u>	<u>(71,644,032)</u>
<b>GROSS PROFIT</b>		<b>75,483,063</b>	<b>21,107,841</b>	<b>160,068,937</b>	<b>91,675,968</b>
<b>OPERATING EXPENSES</b>					
Selling and marketing expenses		(42,461,754)	(27,944,942)	(87,605,855)	(69,487,319)
General and administrative expenses		(12,611,935)	(9,096,300)	(23,408,480)	(19,900,350)
Provision for expected credit loss		(240,715)	(217,404)	(1,006,149)	(6,020,745)
Loss on recall of products	15	-	(34,692,433)	-	(34,692,433)
<b>OPERATING PROFIT / (LOSS)</b>		<b>20,168,659</b>	<b>(50,843,238)</b>	<b>48,048,453</b>	<b>(38,424,879)</b>
<b>OTHER (EXPENSES) / INCOME</b>					
Other (expenses) / income – net		(683,602)	428,573	(2,694,030)	2,221,887
Finance costs – net		<u>(8,622,383)</u>	<u>(13,922,865)</u>	<u>(18,133,616)</u>	<u>(26,094,567)</u>
<b>PROFIT / (LOSS) BEFORE ZAKAT AND INCOME TAX</b>		<b>10,862,674</b>	<b>(64,337,530)</b>	<b>27,220,807</b>	<b>(62,297,559)</b>
Zakat	9	(2,129,398)	(1,776,951)	(5,257,621)	(4,712,592)
Income tax	9	<u>(731,321)</u>	<u>(57,219)</u>	<u>(3,790,998)</u>	<u>(773,317)</u>
<b>NET PROFIT / (LOSS) FOR THE PERIOD</b>		<b>8,001,955</b>	<b>(66,171,700)</b>	<b>18,172,188</b>	<b>(67,783,468)</b>
<b>NET PROFIT / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:</b>					
Equity holders of the Parent Company		<u>8,001,955</u>	<u>(66,171,700)</u>	<u>18,172,188</u>	<u>(67,783,468)</u>
<b>EARNINGS / (LOSS) PER SHARE:</b>					
Basic	10	<b>0.19</b>	<b>(1.54)</b>	<b>0.42</b>	<b>(1.58)</b>
Diluted	10	<b>0.19</b>	<b>(1.54)</b>	<b>0.42</b>	<b>(1.58)</b>

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*Ayman Gamil*

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**Ayman Gamil**  
**Chief Financial Officer**

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*Selim Chidiac*

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**Selim Chidiac**  
**Chief Executive Officer**

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*Sabah Al Moayyed*

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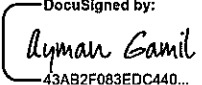
**Sabah Almoayyed**  
**Authorized Board Member**

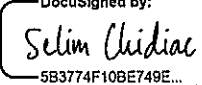
The annexed notes from 1 – 15 form an integral part of these Interim Condensed Consolidated Financial Statements

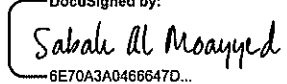
**L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 2021**

	<u>Three months period ended</u>		<u>Six months period ended</u>	
	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>
<b>NET PROFIT / (LOSS) FOR THE PERIOD</b>	<b>8,001,955</b>	<b>(66,171,700)</b>	<b>18,172,188</b>	<b>(67,783,468)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Items that will not be reclassified subsequently to profit or loss				
Re-measurement on employees' end of service benefits	-	-	-	-
Items that will be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	(226,769)	(4,154,255)	351,978	(2,763,010)
<b>Other comprehensive (loss) / income for the period – net of tax</b>	<b>(226,769)</b>	<b>(4,154,255)</b>	<b>351,978</b>	<b>(2,763,010)</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>	<b>7,775,186</b>	<b>(70,325,955)</b>	<b>18,524,166</b>	<b>(70,546,478)</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>				
<b>ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company	7,775,186	(70,325,955)	18,524,166	(70,546,478)

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**Ayman Gamil**  
 Chief Financial Officer

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**Selim Chidiac**  
 Chief Executive Officer

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**Sabah Al Moayyed**  
 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 CHANGES IN EQUITY (UNAUDITED)  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

	Share Capital	Statutory Reserve	Retained Earnings	Foreign Currency Translation Reserve	Total
	SAR	SAR	SAR	SAR	SAR
<b>SIX-MONTH PERIOD ENDED 30 JUNE 2021</b>					
Balance at 1 January 2021 (Audited)	430,000,000	22,186,724	9,911,958	(164,772,276)	297,326,406
Share capital increase due to Rights issue (note 6)	145,000,000	-	-	-	145,000,000
Transaction costs of Rights issue (note 6)	-	-	(7,697,315)	-	(7,697,315)
Net profit for the period	-	-	18,172,188	-	18,172,188
Other comprehensive income for the period	-	-	-	351,978	351,978
<b>Total comprehensive income for the period</b>	-	-	18,172,188	351,978	18,524,166
<b>Balance at 30 June 2021 (Unaudited)</b>	<b>575,000,000</b>	<b>22,186,724</b>	<b>20,386,831</b>	<b>(164,420,298)</b>	<b>453,153,257</b>
<b>SIX-MONTH PERIOD ENDED 30 JUNE 2020</b>					
Balance at 1 January 2020 (Audited)	430,000,000	22,186,724	132,123,563	(166,099,226)	418,211,061
Net loss for the period	-	-	(67,783,468)	-	(67,783,468)
Other comprehensive loss for the period	-	-	-	(2,763,010)	(2,763,010)
<b>Total comprehensive loss for the period</b>	-	-	(67,783,468)	(2,763,010)	(70,546,478)
<b>Balance at 30 June 2020 (Unaudited)</b>	<b>430,000,000</b>	<b>22,186,724</b>	<b>64,340,095</b>	<b>(168,862,236)</b>	<b>347,664,583</b>

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**Ayman Gamil**  
Chief Financial Officer

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**Selim Chidiac**  
Chief Executive Officer

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**Sabah Al Moayyed**  
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 CASH FLOWS  
(UNAUDITED)  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

	30 June 2021 SAR	30 June 2020 SAR
<b>OPERATING ACTIVITIES</b>		
Profit/ (loss) before zakat and tax	27,220,807	(62,297,559)
<b>Adjustments to reconcile profit/(loss) before zakat and tax to net cash from operating activities:</b>		
Depreciation of property and equipment	7,913,894	8,158,222
Depreciation of right-of-use assets	14,044,478	13,225,414
Amortization of intangible assets	1,102,510	1,102,221
Provision for employees' end of service benefits	2,559,334	2,133,970
Provision for expected credit losses	1,006,149	6,020,745
Finance costs – net	17,927,468	25,710,171
(Gain)/loss on sale of property and equipment and intangible assets	(9,563)	28,858
Melting costs and charge for slow moving inventory	1,878,440	4,758,047
Foreign currency exchange differences - net	30,767	(1,967,876)
<b>Operating profit/(loss) before changes in working capital</b>	<b>73,674,284</b>	<b>(3,127,787)</b>
<b>Net changes in working capital:</b>		
Inventories	8,096,314	(81,592,548)
Accounts receivable	(24,717,515)	116,752,986
Other current assets	25,992,022	(34,441,239)
Accounts payable and other current liabilities	10,378,848	19,087,832
Account payable for gold	160,742,982	122,279,254
Gold margin	2,638,840	-
Short term murabaha facilities	(197,805,786)	(85,539,231)
<b>Cash generated from operating activities</b>	<b>58,999,989</b>	<b>53,419,267</b>
Employees' end of service benefits paid	(1,253,228)	(3,476,759)
Finance costs paid – gold facilities	(12,469,036)	(18,145,514)
Income taxes paid	(2,832,992)	(2,911,644)
Zakat paid	(8,068,119)	-
<b>Net cash generated from operating activities</b>	<b>34,376,614</b>	<b>28,885,350</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(9,038,402)	(5,791,582)
Proceeds from sale of property and equipment	20,957	351
Purchase of intangible assets	(670,299)	(454,319)
Other non-current assets	(333,906)	54,349
<b>Net cash used in investing activities</b>	<b>(10,021,650)</b>	<b>(6,191,201)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from capital increase (note 6)	145,000,000	-
Transaction costs of Rights issue (note 6)	(7,697,315)	-
Cash facilities (Tawaruq)	(87,258,191)	42,783,780
Long-term murabaha facility (note 7)	(75,000,000)	-
Repayments of lease liabilities	(16,353,064)	(11,427,691)
Finance costs paid – cash facilities	(5,723,600)	(5,837,293)
Cash margins	18,887,390	12,477,619
<b>Net cash (used in) / generated from financing activities</b>	<b>(28,144,780)</b>	<b>37,996,415</b>
<b>Net change in cash and cash equivalents</b>	<b>(3,789,816)</b>	<b>60,690,564</b>
Cash and cash equivalents at beginning of the period	141,363,622	53,575,209
Exchange differences on cash and cash equivalents	84,401	(193,166)
<b>Cash and cash equivalents at end of the period</b>	<b>137,658,207</b>	<b>114,072,607</b>

**Ayman Gamil**  
Chief Financial Officer

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*Ayman Gamil*

**Selim Chidiac**  
Chief Executive Officer

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*Selim Chidiac*

**Sabah Almoayyed**  
Authorized Board Member

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*Sabah Al Moayyed*

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 SIX-MONTH PERIOD ENDED 30 JUNE 2021**

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#### **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 dated 21 April 2008 corresponding to 15 Rabi Thani 1429H. 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 trading of jewelry, gold and silver products.

The Parent Company directly owns 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 Ultimate Holding Company of the Group is L'azurde Holding LLC based in the Kingdom of Saudi Arabia.

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 SIX-MONTH PERIOD ENDED 30 JUNE 2021**

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**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 1439 (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 Saudi Organization for Certified Public Accountants ("SOCPA") and other standards and pronouncements issued by SOCPA. The interim condensed financial statements should be read in conjunction with the Group's last annual audited consolidated financial statements as at and for the year ended December 31, 2020, and they do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understand any material changes in Group's financial position and performance since the last annual financial statements.

The interim condensed consolidated financial statements for the period ended 30 June 2021 were approved and authorized for issue by the Board of Directors on 29 Dhul-Hijja 1442 H (corresponding to 8 August 2021G).

**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. All the amounts are presented in Saudi Riyal (SAR), which is also the functional and presentational currency of the Parent Company and rounded off to the nearest Saudi Riyal, except for earnings per share.

**2.3 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.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

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**2. BASIS OF PREPARATION (continued)**

**2.3 Use of Estimates and Judgments (continued)**

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.

The Group has reviewed the key sources of estimation uncertainties disclosed in the last annual Consolidated Financial Statements against the backdrop of COVID-19 pandemic. Management believes that all sources of estimation uncertainties remain similar to those disclosed in the annual Consolidated Financial Statements. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

**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 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)**

**New Standards issued but not yet effective as at 1 January 2021**

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2021 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**

	<b>30 June 2021 (Unaudited) SAR</b>	<b>31 December 2020 (Audited) SAR</b>
Accounts receivable - Gross	<b>322,921,990</b>	298,336,378
Provision for expected credit losses	<b>(35,111,246)</b>	(34,271,778)
Accounts receivable - Net	<b>287,810,744</b>	264,064,600

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 14). Credit sales are only offered to the Group's wholesale customers and not retail customers.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

**6. SHARE CAPITAL**

	<b>30 June 2021 (Unaudited) SAR</b>	<b>31 December 2020 (Audited) SAR</b>
At beginning of the period / year	<b>430,000,000</b>	430,000,000
Increase in capital during the period	<b>145,000,000</b>	-
At end of the period / year	<b>575,000,000</b>	430,000,000

The authorized and paid up share capital of the Company as at 30 June 2021 is SAR 575,000,000 (31 December 2020: SAR 430,000,000), divided into 57,500,000 shares (31 December 2020: 43,000,000 shares) with a face value of SAR 10 per share.

On 11 October 2020, the Board of directors of the Company recommended an increase of SAR 145,000,000 in the Company's share capital by way of rights issue by issuing 14,500,000 shares at SAR 10 each. The Company's request for share capital increase was approved by the Capital Market Authority on 7 April 2021 and subsequently presented and approved by the Company's Shareholders at the Extraordinary General Assembly held on 2 June 2021. The Company finalized all regulatory requirements related to the share capital increase on 30 June 2021. The total transaction costs in relation to the share capital increase amounted to SAR 7.7 million and these were reduced from the Retained Earnings of the Company in line with the requirements of applicable accounting standards.

The purpose of the share capital increase is to use the proceeds of the offering to finance expansion plans in retail channel, reduce debt and develop e-commerce platforms.

**7. LONG-TERM MURABAHA FACILITY**

	<b>30 June 2021 (Unaudited) SAR</b>	<b>31 December 2020 (Audited) SAR</b>
Long-term murabaha facility	-	75,000,000
Less: current portion	-	(20,000,000)
Non-current portion	-	55,000,000

The Group obtained a murabaha finance facility from a bank to finance the acquisition of Izdiad Commercial Company of Arabia. The facility was for a period of seven years at profit rate of SAIBOR plus an agreed rate with the bank and payable in semi-annual installments. The whole amount of this long-term murabaha facility has been early repaid in the current quarter, using the proceeds of share capital increase by way of rights issue (see note 6).

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

**8. SHORT-TERM MURABAHA FACILITIES**

		<b>30 June 2021 (Unaudited) SAR</b>	<b>31 December 2020 (Audited) SAR</b>
	<u>Notes</u>		
Gold facilities (Murabaha)	8.1	<b>511,548,526</b>	709,354,312
Cash facilities (Tawaruq)	8.2	<b>40,987,766</b>	128,245,957
		<b>552,536,292</b>	837,600,269

- 8.1** Total gold procurement facilities of the Group at 30 June 2021 amounted to SAR 511.5 million compared to SAR 709.4 million at 31 December 2020. 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 (2020: 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.

- 8.2** Represents Islamic Tawaruq cash facilities from various banks solely to finance working capital requirements of the Group, with agreed profit rates and maturity periods ranging from 1 to 9 months (2020: 1 to 9 months).

**9. ZAKAT AND INCOME TAX**

**Zakat for the period**

Zakat charge on the Group for the six months period ended 30 June 2021 amounted to SAR 5.3 million (2020: SAR 4.7 million).

**Income taxes related to foreign subsidiaries for the period**

Income tax charges on subsidiaries for the six months period ended 30 June 2021 amounted to SAR 3.8 million (2020: SAR 0.8 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 2020 and obtained respective zakat certificates. The Company has received an assessment for the years 2015-17 with a liability of approximately SAR 8.3 million relating to a potential income tax liability on one of its previous shareholders. The Company has appealed against such assessment within 60 days from receiving the assessment. 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 SIX-MONTH PERIOD ENDED 30 JUNE 2021**

**9. 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 2020 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 2020 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.

**10. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED**

	<b>Three months period ended</b>		<b>Six months period ended</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Basic and diluted earnings per share</b>				
Net profit / (loss) for the period attributable to equity holders of the parent (in SAR)	<b>8,001,955</b>	<b>(66,171,700)</b>	<b>18,172,188</b>	<b>(67,783,468)</b>
Weighted average number of ordinary shares during the period	<b>43,000,000</b>	<b>43,000,000</b>	<b>43,000,000</b>	<b>43,000,000</b>
Basic and diluted earnings / (loss) per share (in SAR)	<b>0.19</b>	<b>(1.54)</b>	<b>0.42</b>	<b>(1.58)</b>

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 30 June 2021 and 30 June 2020.

The weighted average number of ordinary shares during the current period has not changed as the capital increase by way of rights issue happened on 30 June 2021 (see note 6).

**11. 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 or the General Assembly when required by regulations. 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:

<b>Nature of transactions</b>		<b>Amount of Transactions</b>		<b>Balances</b>	
		<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>31 December</b>
		<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
		<b>SAR</b>	<b>SAR</b>	<b>SAR</b>	<b>SAR</b>
<b>Other affiliates:</b>					
Board of Directors and key management personnel	Remuneration	<b>4,820,277</b>	<b>4,211,778</b>	<b>568,282</b>	<b>147,950</b>
Director	Consultancy fees	<b>251,250</b>	<b>251,250</b>	<b>125,625</b>	<b>125,625</b>
		<b>5,071,527</b>	<b>4,463,028</b>	<b>693,907</b>	<b>273,575</b>

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

**12. 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:

<u>Six-months ended 30 June 2021 (Unaudited)</u>	<u>Wholesale SAR</u>	<u>Retail SAR</u>	<u>Total SAR</u>
Revenues - Gold	766,539,850	-	766,539,850
- Operations	150,605,494	109,652,896	260,258,390
Gross profit	103,215,523	56,853,414	160,068,937
Property and equipment	67,605,027	14,509,028	82,114,055
Total assets	1,331,056,333	279,981,707	1,611,038,040
Total liabilities	(1,071,293,446)	(86,591,337)	(1,157,884,783)
<u>Six-months ended 30 June 2020 (Unaudited)</u>			
Revenues - Gold	452,588,527	-	452,588,527
- Operations	92,718,976	70,601,024	163,320,000
Gross profit	57,261,979	34,413,989	91,675,968
<u>As at 31 December 2020 (Audited)</u>			
Property and equipment	66,111,163	14,812,552	80,923,715
Total assets	1,324,280,591	325,758,106	1,650,038,697
Total liabilities	(1,183,631,188)	(169,081,103)	(1,352,712,291)

**13. 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.

<u>30 June 2021 (Unaudited):</u>	<u>Fair value (in SAR)</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Financial assets:</b>				
Accounts receivable	250,905,220	-	-	250,905,220
Other current assets	28,744,832	-	-	28,744,832
Gold margins	34,768,556			34,768,556
<b>Financial liabilities:</b>				
Account payable for gold	417,679,647	-	-	417,679,647
Short-term murabaha facilities	511,548,526	-	-	511,548,526

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

**13. FINANCIAL INSTRUMENTS (continued)**

31 December 2020 (Audited):	Fair value (in SAR)			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Accounts receivable	242,403,689	-	-	242,403,689
Other current assets	39,734,410	-	-	39,734,410
Gold margins	37,407,396			37,407,396
Financial liabilities:				
Account payable for gold	256,936,665	-	-	256,936,665
Short-term murabaha facilities	709,354,312	-	-	709,354,312

**14. COMPLIANCE WITH SHARI'A RULES**

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

- 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 review period are in compliance with Islamic Shari'a provisions; and
- Cash sales through retail outlets and cash wholesale sales on credit are in compliance with Shari'a.

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, whose 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 and ensures that fabricated ornament has a significant value, and not an 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.

**15. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the presentation in the current period, as follows:

Category	30 June 2020		
	Before Reclassification SAR	Effect of Reclassification SAR	After Reclassification SAR
Revenues – Gold	641,292,778	188,704,251	452,588,527
Cost of revenues – Gold	(641,292,778)	(188,704,251)	(452,588,527)
Net impact on gross profit	-	-	-