

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

**REVIEWED INTERIM CONDENSED
CONSOLIDATED FINANCIAL
STATEMENTS AND REVIEW REPORT
FOR THE THREE MONTHS PERIOD
ENDED 31 MARCH 2020**

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020**

<u>INDEX</u>	<u>PAGE</u>
Independent Auditor's Limited Review Report	1
Interim Condensed Consolidated Statement of Financial Position As at 31 March 2020	2
Interim Condensed Consolidated Statement of Profit or Loss For the three months period ended 31 March 2020	3
Interim Condensed Consolidated Statement of other Comprehensive Income For the three months period ended 31 March 2020	4
Interim Condensed Consolidated Statement of Changes in Equity For the three months period ended 31 March 2020	5
Interim Condensed Consolidated Statement of Cash Flows For the three months period ended 31 March 2020	6
Notes to the Interim Condensed Consolidated Financial Statements For the three months period ended 31 March 2020	7 - 14



Independent auditor's review report
To the shareholders of L'azurde Group for Jewelry and its Subsidiaries
(A Saudi Joint Stock Group)
Riyadh, Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **L'azurde Company for Jewelry and its Subsidiaries (a Saudi joint stock Company) (the "Group")** as at 31 March 2020 and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of other comprehensive income for the three-months period ended 31 March 2020 and the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three-month period then ended and the related notes (1) to (15) which form an integral part of these interim condensed consolidated financial information. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting', as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed consolidated financial information 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 information 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 financial information is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia.

Riyadh 16 Shawwal 1441
Corresponding to 8 June 2020



Aldar Audit Bureau
Abdullah Al Basri & Co.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	31 March 2020 (Unaudited) SAR	31 December 2019 (Audited) SAR
ASSETS			
Non-Current Assets			
Property and equipment		87,160,430	87,426,984
Right-of-use assets		47,479,737	48,574,644
Intangible assets and goodwill		140,339,503	140,688,956
Other non-current assets		1,544,245	1,562,326
Total Non-Current Assets		276,523,915	278,252,910
Current Assets			
Inventories		811,880,900	858,623,747
Accounts receivable	5	805,491,856	665,257,301
Other current assets		57,057,442	59,351,040
Cash margins		88,842,662	99,974,368
Cash and cash equivalents		100,755,763	53,575,209
Total Current Assets		1,864,028,623	1,736,781,665
TOTAL ASSETS		2,140,552,538	2,015,034,575
EQUITY AND LIABILITIES			
Equity			
Share capital	6	430,000,000	430,000,000
Statutory reserve		22,186,724	22,186,724
Retained earnings		130,511,795	132,123,563
Foreign currency translation reserve		(164,707,981)	(166,099,226)
Total Equity		417,990,538	418,211,061
Liabilities			
Non-Current Liabilities			
Long term murabaha facility	7	75,000,000	75,000,000
Employees' end of service benefits		27,552,025	29,334,858
Lease liabilities		23,610,039	22,631,499
Deferred tax liability		1,430,679	1,403,075
Long term payable		51,570,281	51,375,237
Total Non-Current Liabilities		179,163,024	179,744,669
Current Liabilities			
Accounts payable and other current liabilities		494,362,498	236,812,062
Current portion of long-term murabaha facility	7	19,000,000	19,000,000
Current portion of lease liabilities		21,251,209	21,251,209
Short-term murabaha facilities	8	983,013,776	1,117,990,648
Zakat and income tax liability		25,771,493	22,024,926
Total Current Liabilities		1,543,398,976	1,417,078,845
Total Liabilities		1,722,562,000	1,596,823,514
TOTAL EQUITY AND LIABILITIES		2,140,552,538	2,015,034,575


Ayman Gamil
Chief Financial Officer


Selim Chidiac
Chief Executive Officer


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 MONTHS PERIOD ENDED 31 MARCH 2020

	Notes	31 March 2020 (Unaudited) SAR	31 March 2019 (Unaudited) SAR
REVENUE			
Gold		519,343,781	520,512,783
Operations		114,349,262	153,016,840
		<u>633,693,043</u>	<u>673,529,623</u>
COST OF REVENUE			
Gold		(519,343,781)	(520,512,783)
Operations		(43,781,135)	(57,046,074)
		<u>70,568,127</u>	<u>95,970,766</u>
GROSS PROFIT			
OPERATING EXPENSES			
Selling and marketing expenses		(47,345,718)	(53,560,277)
General and administrative expenses		(10,804,050)	(12,020,242)
		<u>12,418,359</u>	<u>30,390,247</u>
OPERATING PROFIT			
OTHER EXPENSES			
Other income/ (expenses) – net		1,793,314	(599,629)
Finance costs – net		(12,171,702)	(12,138,800)
		<u>2,039,971</u>	<u>17,651,818</u>
NET PROFIT BEFORE ZAKAT AND TAX			
Zakat	9	(2,935,641)	(3,442,201)
Income tax	9	(716,098)	(2,248,589)
		<u>(1,611,768)</u>	<u>11,961,028</u>
NET (LOSS)/ PROFIT FOR THE PERIOD			
NET (LOSS)/ PROFIT FOR THE PERIOD			
ATTRIBUTABLE TO:			
Equity holders of the Parent Company		<u>(1,611,768)</u>	<u>11,961,028</u>
(LOSS)/ EARNINGS PER SHARE:			
Basic	10	(0.04)	0.28
Diluted	10	<u>(0.04)</u>	<u>0.28</u>


Ayman Gamil
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Sam Chidiac
Chief Executive Officer


Sabah Almoayyed
Authorized Board Member

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020**

	31 March 2020 (Unaudited) SAR	31 March 2019 (Unaudited) SAR
NET (LOSS)/ PROFIT FOR THE PERIOD	(1,611,768)	11,961,028
OTHER COMPREHENSIVE INCOME		
Items that will be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	<u>1,391,245</u>	<u>2,734,347</u>
Other comprehensive income for the period – net of tax	<u>1,391,245</u>	<u>2,734,347</u>
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD	<u>(220,523)</u>	<u>14,695,375</u>
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD ATTRIBUTABLE TO:		
Equity holders of the Parent Company	<u>(220,523)</u>	<u>14,695,375</u>


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Sahah Almoayyed
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**L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020**

	Share Capital (Unaudited)	Statutory Reserve (Unaudited)	Retained Earnings (Unaudited)	Foreign Currency Translation Reserve (Unaudited)	Total (Unaudited)
	SAR	SAR	SAR	SAR	SAR
THREE MONTHS PERIOD ENDED 31 MARCH 2020					
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	-	-	(1,611,768)	-	(1,611,768)
Other comprehensive income for the period	-	-	-	1,391,245	1,391,245
Total comprehensive loss for the period	-	-	(1,611,768)	1,391,245	(220,523)
Balance at 31 March 2020 (Unaudited)	430,000,000	22,186,724	130,511,795	(164,707,981)	417,990,538
THREE MONTHS PERIOD ENDED 31 MARCH 2019					
Balance at 1 January 2019 (Audited)	430,000,000	22,186,724	149,927,579	(176,028,776)	426,085,527
Net profit for the period	-	-	11,961,028	-	11,961,028
Other comprehensive income for the period	-	-	-	2,734,347	2,734,347
Total comprehensive income for the period	-	-	11,961,028	2,734,347	14,695,375
Balance at 31 March 2019 (Unaudited)	430,000,000	22,186,724	161,888,607	(173,294,429)	440,780,902


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**L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020**

	31 March 2020 (Unaudited) SAR	31 March 2019 (Unaudited) SAR
OPERATING ACTIVITIES		
Net profit before zakat and tax	2,039,971	17,651,818
Adjustments to reconcile net profit before zakat and tax to net cash from operating activities:		
Depreciation of property and equipment	4,159,284	4,119,066
Depreciation of right-of-use assets	6,536,751	6,314,491
Amortization of intangible assets	553,884	157,208
Provision for employees' end of service benefits	1,035,325	1,297,603
Provision for expected credit losses	5,803,341	(89,908)
Finance costs – net	11,029,659	12,138,801
(Gain)/ loss on sale of property and equipment and intangible assets	(98)	951,016
Melting costs and charge for slow moving inventory	2,706,384	1,990,174
Foreign currency exchange differences - net	(1,663,198)	(16,546)
Operating income before changes in working capital	32,201,303	44,513,723
Net changes in working capital:		
Inventories	45,104,367	25,968,554
Accounts receivable	(145,355,619)	(206,493,159)
Other current assets	2,868,821	(4,205,750)
Accounts payable and other current liabilities	7,177,017	12,312,505
Account payable for gold	249,329,456	-
Short term murabaha facilities	(173,549,391)	151,981,377
Cash generated from operating activities	17,775,954	24,077,250
Employees' end of service benefits paid	(2,829,380)	(1,302,379)
Finance costs paid	(10,440,561)	(13,633,197)
Income taxes paid	-	(66,477)
Net cash generated from operating activities	4,506,013	9,075,197
INVESTING ACTIVITIES		
Purchase of property and equipment	(3,184,244)	(2,636,084)
Proceeds from sale of property and equipment	101	38,103
Purchase of intangible assets	(202,917)	(156,996)
Other non-current assets	18,081	(30,891)
Net cash used in investing activities	(3,368,979)	(2,785,868)
FINANCING ACTIVITIES		
Cash facilities (Tawaruq)	38,572,519	16,000,000
Long-term murabaha facility	-	(7,000,000)
Repayments of lease liabilities	(4,357,272)	(5,938,510)
Cash margins	11,131,706	(19,487,713)
Net cash generated from/ (used in) financing activities	45,346,953	(16,426,223)
Net change in cash and cash equivalents	46,483,987	(10,136,894)
Cash and cash equivalents at beginning of the period	53,575,209	47,733,037
Exchange differences on cash and cash equivalents	696,567	462,973
Cash and cash equivalents at end of the period	100,755,763	38,059,116


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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)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020

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 THREE MONTHS PERIOD ENDED 31 MARCH 2020

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 31 December 2019. 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 31 March 2020 were approved and authorized for issue by the Board of Directors on 8 June 2020.

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 THREE MONTHS PERIOD ENDED 31 MARCH 2020**

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 2019. 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 2020

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2020 and has 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 2020 (Unaudited) SAR	31 December 2019 (Audited) SAR
Accounts receivable - Gross	831,152,993	684,580,488
Provision for expected credit losses	(25,661,137)	(19,323,187)
Accounts receivable - Net	805,491,856	665,257,301

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.

6. SHARE CAPITAL

The authorized and paid up share capital of the Group as at 31 March 2020 is SAR 430,000,000 (31 December 2019: SAR 430,000,000), divided into 43,000,000 shares as at 31 March 2020 (31 December 2019: 43,000,000 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 MONTHS PERIOD ENDED 31 MARCH 2020

7. LONG TERM MURABAHA FACILITY

	31 March 2020 (Unaudited) SAR	31 December 2019 (Audited) SAR
Long-term murabaha facility	94,000,000	94,000,000
Less: current portion	(19,000,000)	(19,000,000)
Non-current portion	75,000,000	75,000,000

The Group has obtained a murabaha finance facility from a bank to finance the acquisition of Izdiad Commercial Company of Arabia. The facility is for a period of seven years at profit rate of SAIBOR plus an agreed rate with the bank and payable in semi-annual installments.

8. SHORT-TERM MURABAHA FACILITIES

	Notes	31 March 2020 (Unaudited) SAR	31 December 2019 (Audited) SAR
Gold facilities (Murabaha)	8.1	850,500,338	1,024,049,730
Cash facilities (Tawaruq)	8.2	132,513,438	93,940,918
		983,013,776	1,117,990,648

8.1 Total gold procurement facilities of the Group at 31 March 2020 amounted to SAR 0.85 billion compared to SAR 1.0 billion at 31 December 2019. 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 (2019: 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 6 months.

9. ZAKAT AND INCOME TAX

Zakat for the period

Zakat charge on the Group for the three months period ended 31 March 2020 amounted to SAR 2,935,641 (2019: SAR 3,442,201).

Income taxes related to foreign subsidiaries for the period

Income tax charges on subsidiaries for the three months period ended 31 March 2020 amounted to SAR 716,098 (2019: SAR 2,248,589).

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.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020**

9. ZAKAT AND INCOME TAX (continued)

Status of zakat assessments

The Company has filed the zakat returns for all the years up to 2019 and obtained respective zakat certificates. During May 2020, the Company received zakat assessment for year 2018 with additional zakat liability of approximately SAR 26.4 million. Under the Saudi Arabian Zakat regulations, the Company has the right to file an appeal against such assessment within 60 days from receiving the assessment and the Company will submit an appeal against such assessment within the grace period. Management believes that current provision relating to zakat liability is adequate to cover any additional exposure that may arise as a result of this assessment.

In 2017, the Company received zakat assessments for the years 2005 to 2014 with additional zakat liability of approximately SAR 10.6 million which the Company appealed against. Later after discussion with the Zakat authority the assessment was reduced to SAR 6.0 million which was agreed and settled by the Company during 2019. Accordingly, no claims or assessments for Zakat are due from the Company till the year 2014. The years 2015 to 2017 are still under review by GAZT.

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.

L'azurde Jewellery LLC ("LJ Oman"), registered in the Sultanate of Oman, filed its first tax return for year ended 31 December 2019 and the tax assessment for the company has not been finalized yet.

L'azurde Company for Jewellery LLC ("LCJ Qatar"), registered in the State of Qatar, filed its tax return for year 2019 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. (LOSS)/ EARNINGS PER SHARE - BASIC AND DILUTED

	31 March 2020 (Unaudited) SAR	31 March 2019 (Unaudited) SAR
Basic and diluted (loss)/ earnings per share		
Net (loss)/ profit for the period attributable to equity holders of the parent (in SAR)	(1,611,768)	11,961,028
Weighted average number of ordinary shares during the period	43,000,000	43,000,000
Basic and diluted (loss)/ earnings per share (in SAR)	(0.04)	0.28

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 2020 and 31 March 2019.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020

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. 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:

<u>Nature of transactions</u>		<u>Amount of Transactions</u>		<u>Balances</u>	
		31 March 2020 (Unaudited) SAR	31 March 2019 (Unaudited) SAR	31 March 2020 (Unaudited) SAR	31 December 2019 (Audited) SAR
Other affiliates:					
Board of Directors and key management personnel	Remuneration	2,156,792	2,322,058	377,000	368,000
Director	Consultancy fees	125,625	125,625	125,625	125,625
		2,282,417	2,447,683	502,625	493,625

12. SEGMENT REPORTING

The Group is organized into wholesale and retail business segments. These operating segments are monitored by the Group's chief operating decision maker. All the intra-group revenues and other balances are eliminated on consolidation. Details of the Group's segments are as follows:

<u>Three months ended 31 March 2020 (Unaudited)</u>	<u>Wholesale SAR</u>	<u>Retail SAR</u>	<u>Total SAR</u>
Revenues - Gold	519,343,781	-	519,343,781
- Operations	67,639,407	46,709,855	114,349,262
Gross profit	47,676,150	22,891,977	70,568,127
Property and equipment	67,102,691	20,057,739	87,160,430
Total assets	1,768,448,730	372,103,808	2,140,552,538
Total liabilities	(1,515,270,685)	(207,291,315)	(1,722,562,000)
<u>Three months ended 31 March 2019 (Unaudited)</u>	<u>Wholesale SAR</u>	<u>Retail SAR</u>	<u>Total SAR</u>
Revenues - Gold	520,512,783	-	520,512,783
- Operations	93,422,226	59,594,614	153,016,840
Gross profit	69,170,937	26,799,829	95,970,766
Property and equipment	63,653,554	27,023,001	90,676,555
Total assets	1,605,290,821	432,853,806	2,038,144,627
Total liabilities	(1,370,526,845)	(226,836,880)	(1,597,363,725)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020

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.

31 March 2020 (Unaudited):	Fair Value (in SAR)			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Accounts receivable	684,749,822	-	-	684,749,822
Financial liabilities:				
Account payable for gold	443,226,394	-	-	443,226,394
Short-term murabaha facilities	850,500,338	-	-	850,500,338
31 December 2019 (Audited):				
Financial assets:				
Accounts receivable	558,640,395	-	-	558,640,395
Financial liabilities:				
Account payable for gold	193,896,938	-	-	193,896,938
Short-term murabaha facilities	1,024,049,730	-	-	1,024,049,730

14. COMPLIANCE WITH SHARI'A RULES

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 the Accounting and Auditing Organization for Islamic Financial Institutions (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 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.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020**

14. COMPLIANCE WITH SHARI'A RULES (continued)

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. SIGNIFICANT EVENTS

The existence of novel coronavirus (COVID-19) was confirmed in early 2020 and has spread across multiple geographies, causing disruptions to businesses and economic activity. In response to the spread of COVID-19 and its resulting disruptions to the social and economic activities, the Group's Management has already mobilized a crises management team to assess the possible impact on its business in the Kingdom of Saudi Arabia and other geographies where the Group operates. Management has also taken a series of preventive measures to ensure the health and safety of its employees, customers, and wider community as well as to ensure the continuity of its operations.

Since the extent and duration of such impacts remains uncertain and dependent on future developments that cannot be accurately predicted at this time, the Management and the Board of Directors will continue to monitor the potential risks around supply of material, manpower, inventory levels and minimum interruptions to the production facilities across all geographies and accordingly update stakeholders for material deviations, as per local regulatory requirements.