

**LAZARD SAUDI ARABIA COMPANY  
(CLOSED JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**LAZARD SAUDI ARABIA COMPANY  
(CLOSED JOINT STOCK COMPANY)**

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**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**Ibrahim Ahmed Al-Bassam & Co**  
Certified Public Accountants - Al-Bassam & Co.  
(member firm of PKF International)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders' of  
**Lazard Saudi Arabia Company**  
(Closed Joint Stock Company)

### Opinion

We have audited the accompanying financial statements of Lazard Saudi Arabia Company ("the Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in conformity with International Financial Reporting Standards for Small and Medium – Sized Entities ("IFRS for SMEs"), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia (KSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia (KSA) that are relevant to our audit of the Company's financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS for SMEs, as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the SOCPA, the Company's Articles of Association and law of companies and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



**Ibrahim Ahmed Al-Bassam & Co**  
Certified Public Accountants - Al-Bassam & Co.  
(member firm of PKF International)

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Auditors' Responsibilities for the Audit of the Financial Statements

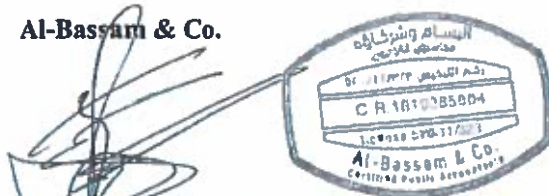
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs, as endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Al-Bassam & Co.



**Ibrahim A. Al-Bassam**  
Certified Public Accountant  
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30 March 2022  
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**LAZARD SAUDI ARABIA COMPANY (CLOSED JOINT STOCK COMPANY)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2021**

	Notes	31 December 2021 SR	31 December 2020 SR
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	12,186,935	11,530,889
Prepayments, deposits and other assets	5	8,581,359	7,237,413
Due from related parties	12	2,243,791	1,046,269
<b>Total current assets</b>		<b>23,012,085</b>	<b>19,814,571</b>
<b>Non-current assets</b>			
Property and equipment	6	247,892	283,892
<b>Total non-current assets</b>		<b>247,892</b>	<b>283,892</b>
<b>Total assets</b>		<b>23,259,977</b>	<b>20,098,463</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accrued expenses and other liabilities	7	2,510,214	1,163,885
Due to related parties	12	11,950,050	10,039,005
<b>Total current liabilities</b>		<b>14,460,264</b>	<b>11,202,890</b>
<b>Non-current liabilities</b>			
Employees' end of service benefits	8	923,898	904,322
<b>Total non-current liabilities</b>		<b>923,898</b>	<b>904,322</b>
<b>Total liabilities</b>		<b>15,384,162</b>	<b>12,107,212</b>
<b>EQUITY</b>			
Share capital	9	7,500,000	7,500,000
Statutory reserve	11	61,754	61,754
Actuarial loss on remeasurement of net defined benefit liability		(246,248)	(264,417)
Retained earnings		560,309	693,914
<b>Total equity</b>		<b>7,875,815</b>	<b>7,991,251</b>
<b>Total liabilities and equity</b>		<b>23,259,977</b>	<b>20,098,463</b>
Contingencies and commitments	18		



Chairman of the Board  
Directors



Chief Financial Officer



Financial Officer

The attached notes 1 to 20 form an integral part of these financial statements.

**LAZARD SAUDI ARABIA COMPANY (CLOSED JOINT STOCK COMPANY)  
STATEMENT OF COMPREHENSIVE LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	31 December 2021 SR	31 December 2020 SR
<b>REVENUES</b>			
Advisory fee income		1,800,926	692,765
<b>EXPENSES</b>			
General and administrative expenses	14	(5,800,657)	(5,163,425)
Other expenses		(33,874)	(19,560)
<b>Loss for the year before tax</b>		<b>(4,033,605)</b>	<b>(4,490,220)</b>
Taxation	15	-	-
<b>Net loss for the year</b>		<b>(4,033,605)</b>	<b>(4,490,220)</b>
<b>Other comprehensive income/(loss)</b>			
<i>Items that will not be reclassified to statement of profit or loss in subsequent years</i>			
Net actuarial gain on re-measurement of defined benefit obligation	8	18,169	40,086
<b>Total comprehensive loss for the year</b>		<b>(4,015,436)</b>	<b>(4,450,134)</b>

  
Chairman of the Board  
Directors

  
Chief Financial Officer

  
Financial Officer


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LAZARD SAUDI ARABIA COMPANY (CLOSED JOINT STOCK COMPANY)  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Additional contribution from shareholders	Statutory reserve	Remeasurement of net defined benefit liability	Retained earnings	Total equity
	SR	SR	SR	SR	SR	SR
<b>2021</b>						
Balance as at 1 January 2021	7,500,000	-	61,754	(264,417)	693,914	7,991,251
Loss for the year	-	-	-	-	(4,033,605)	(4,033,605)
Actuarial gain on remeasurement of defined benefit obligation (note 8)	-	-	-	18,169	-	18,169
Total comprehensive loss	-	-	-	18,169	(4,033,605)	(4,015,436)
Transaction with owners Additions (note 10)	-	3,900,000	-	-	-	3,900,000
Loss absorbed by the shareholders (note 10)	-	(3,900,000)	-	-	3,900,000	-
Balance as at 31 December 2021	7,500,000	-	61,754	(246,248)	560,309	7,875,815

**2020**

Balance as at 1 January 2020	7,500,000	-	61,754	(304,503)	1,384,134	8,641,385
Loss for the year	-	-	-	-	(4,490,220)	(4,490,220)
Actuarial loss on remeasurement of defined benefit obligation (note 8)	-	-	-	40,086	-	40,086
Total comprehensive loss	-	-	-	40,086	(4,490,220)	(4,450,134)
Transaction with owners Additions (note 10)	-	3,800,000	-	-	-	3,800,000
Loss absorbed by the shareholders (note 10)	-	(3,800,000)	-	-	3,800,000	-
Balance as at 31 December 2020	7,500,000	-	61,754	(264,417)	693,914	7,991,251

  
Chairman of the Board  
Directors

  
Chief Financial Officer

  
Financial Officer

The attached notes 1 to 20 form an integral part of these financial statements.

**LAZARD SAUDI ARABIA COMPANY (CLOSED JOINT STOCK COMPANY)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	31 December 2021 SR	31 December 2020 SR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss for the year before tax		(4,033,605)	(4,490,220)
Adjustments for:			
Depreciation	6	55,416	10,327
Provision against fund costs	8	142,219	149,722
<b>Changes in operating assets and liabilities:</b>			
Prepayments, deposits and other assets		(1,343,947)	(6,863,014)
Due from related parties		(1,197,522)	136,642
Due to related parties		1,911,045	6,202,708
Accrued expenses and other liabilities		1,346,329	105,174
Payment of employees' end of service benefits	8	(104,474)	(99,591)
<b>Net cash used in operating activities</b>		<b>(3,224,539)</b>	<b>(4,848,252)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>			
Purchase of property and equipment	6	(19,416)	(242,753)
<b>Net cash used in investing activity</b>		<b>(19,416)</b>	<b>(242,753)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Shareholders' financing	10	3,900,000	3,800,000
<b>Net cash from financing activity</b>		<b>3,900,000</b>	<b>3,800,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>656,046</b>	<b>(1,291,005)</b>
Cash and cash equivalents at the beginning of year		11,530,889	12,821,894
Cash and cash equivalents at the end of the year	4	12,186,935	11,530,889

  
Chairman of the Board  
Directors

  
Chief Financial Officer

  
Financial Officer

The attached notes 1 to 20 form an integral part of these financial statements.



**LAZARD SAUDI ARABIA COMPANY (CLOSED JOINT STOCK COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**1. LEGAL STATUS AND ACTIVITY**

Lazard Saudi Arabia Company (the "Company") is a closed joint stock company under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company operates under Royal Decree No. M/6 dated 22/3/1385H (corresponding to 22 July 1965G), and in accordance with the Foreign Investment Regulations, issued under Royal Decree No. M/1 dated 5/1/1421H and license of the Saudi Arabian General Investment Authority No. 102031098747 dated 20/09/1431H (corresponding to 30 August 2010G). The Company's commercial registration number is 1010297437 which was issued in Riyadh on 04/12/1431H (corresponding to 10 November 2010G). The Company's is registered with Capital Market Authority "CMA" license No. 10145-10 dated 29/6/1431H (corresponding to 12 June 2010G).

The Company has obtained approval from CMA to assume additional business activity of asset management services, and change the name from Lazard Saudi Arabia Limited (Limited Liability Company) to Lazard Saudi Arabia Company (Closed Joint Stock Company) and obtained revised commercial registration certificate dated 04/08/1440H (corresponding to 09 April 2019G). The Company has amended its Bylaws accordingly.

The objective of the Company is to perform arranging in financial securities activities, managing private non-real estate funds, and managing sophisticated investor portfolios.

**2. BASIS OF PREPARATION**

**2.1 Statement of Compliance**

These financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-Sized Entities ("IFRS for SMEs"), that are endorsed in Kingdom of Saudi Arabia (KSA) and other standards and pronouncements adopted by Saudi Organization for Certified Public Accountants ("SOCPA").

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention except for the end of service benefit obligation, that is recognized at the present value of future obligations and other financial assets and liabilities at fair value or amortized cost. In these financial statements, except for the cash flow statement, all the transactions have been accounted for on accrual basis and following going concern assumption. To ensure the validity of going concern, the shareholder has been providing additional contribution to the Company to absorb its losses as mention in note 2.4 and 10.

**2.3 Functional and presentation currency**

The financial statements of the Company are presented in Saudi Riyals, which is the functional and presentational currency of the Company.

**2.4 Going concern assessment**

The losses of the Company for the year ended 31 December 2021 amounted to SR 4,033,605 (2020: SR \$4,490,220). The Company has been incurring operating losses for the last three years. The Company has continuous support from shareholders through absorption of loss. During the year, the shareholders have absorbed losses to the extent of SR 3,900,000 in 2020 (2019: SR 3,800,000). Based on ongoing negotiations and developments regarding different projects, the management of the Company believes that it will be able to generate sufficient new business. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as going concern. Therefore, the financial statements of the Company continue to be prepared on the going concern basis (also refer note 10).

**2.5 Use of estimates**

The preparation of these financial statements in conformity with IFRS for SMEs, that are endorsed in KSA, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

**LAZARD SAUDI ARABIA COMPANY (CLOSED JOINT STOCK COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2 BASIS OF PREPARATION (CONTINUED)**

**2.5 Use of estimates (continued)**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

**a) Property and equipment**

The estimates and assumptions made to determine carrying value of property and equipment and related depreciation are important to the Company's financial position and performance.

The charge in respect of periodic depreciation is derived after determining estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the statement of comprehensive (loss)/income.

**b) Impairment of non-financial assets**

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

**c) Impairment of financial assets**

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the agreement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators of objective evidence that the accounts receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

**d) Employees' end of service benefits**

The cost of defined benefit plan and the present value of the end of service obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

**e) Deferred Tax**

Deferred tax asset is recognized only to the extent that it is probable that the future taxable profits will be available and credits can be utilized. Deferred tax asset has not been provided in these financial statements for the year ended 31 December 2021 since the Company does not anticipate availability of future taxable profit to utilize any tax credits.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These policies have been consistently applied to all the years presented, unless otherwise stated.

**3.1 Foreign currencies**

Transactions in foreign currencies are initially recorded at the spot rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising on translation are recognized in the statement of comprehensive (loss)/income.

**LAZARD SAUDI ARABIA COMPANY (CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.2 Cash and cash equivalents**

Cash and cash equivalents include for the purpose of the statement of cash flows, cash on hand and at banks.

**3.3 Prepayments and other assets**

Prepayments and other assets are recognized initially at the transaction price and expensed over the period of economic benefits associated with such assets flowing to the Company.

**3.4 Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment if any. Cost includes expenditure that is directly attributable to the acquisition of the asset and initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are recognized in the statement of comprehensive income when incurred.

Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease. The estimated rates of depreciation of the principal classes of assets are as follows:

	<i>Rates of depreciation</i>
Leasehold improvements	20%
Furniture, fixtures and office equipment	25%
Computer equipment	25%

Gain or loss on disposal of property and equipment represents the difference between the sale proceeds and the carrying amount of these assets and is recognized in the statement of comprehensive income.

**3.5 Impairment**

The Company reviews annually the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit), is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

**3.6 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**LAZARD SAUDI ARABIA COMPANY (CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.7 Employee benefits**

**Defined contribution scheme**

Retirement benefit in the form of General Organization for Social Insurance (GOSI) is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the GOSI. The Company recognizes contribution payable to the GOSI as an expense when due.

**Employees' end of service benefits**

The Company's obligation under employees' end of service benefits is accounted for as an unfunded defined benefits plan. The liability recognized in the statement of financial position in respect of the defined end of service benefits plan is the present value of the employees' end of service termination benefits obligation at the reporting date and is measured using the projected unit credit method.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

**3.8 Share capital**

Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

**3.9 Operating lease**

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the operating lease after including the impact of escalations if any.

**3.10 Revenue recognition**

Revenue from services rendered is generally recognized in proportion to the stage of completion of the transaction at the reporting date. Revenue is recognized when the following conditions are met:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits will flow to the Company;
- the stage of completion at the statement of financial position date can be measured reliably; and
- the cost incurred or to be incurred in respect of the transaction can be measured reliably.

**3.11 Income tax**

The Company is subject to income tax in accordance with the Regulations of the General Authority of Zakat and Tax ("ZATCA") in the Kingdom of Saudi Arabia. Income tax is computed based on adjusted net income.

Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is amended.

**3.12 Deferred income tax**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. No temporary taxable differences exist at reporting date. Due to losses, no deferred tax asset has been recognized at reporting date amounting SAR 10,304,167 (2020: SAR 9,516,307).

**LAZARD SAUDI ARABIA COMPANY (CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.13 Financial instrument**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets include cash and cash equivalents, due from related parties, deposits and other assets.

Financial liabilities include due to related parties and other payables.

Financial assets and financial liabilities are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the transaction price of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in statement of comprehensive income.

Subsequently, all financial assets and liabilities are measured at amortized cost using effective interest method.

The Company has no financial assets and financial liabilities which are measured at fair value through profit or loss.

**3.14 Impairment of financial assets**

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive loss.

**3.15 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency, or bankruptcy of the Company or the counterparty.

**3.16 Equity-Based Incentive compensation awards**

The Company has granted rights to equity instrument of its ultimate parent company to a senior employee of the Company. The Company accounts for the transaction with the employee as equity settled share-based transaction. Equity settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Equity-based incentive compensation awards that do not require future service are expensed immediately.

Equity-based compensation awards that require future service are amortized over the applicable vesting period, or requisite service period, based on the fair value of the ultimate parent company's Class A common stock on the date of grant. Compensation expense recognized for equity-based incentive compensation is determined based on the number of awards that in the Company's estimate are considered probable of vesting (including as a result of any applicable performance conditions). Equity based incentive compensation is recognized in "salaries and related expenses" under general and administrative expenses.

**LAZARD SAUDI ARABIA COMPANY (CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**4 CASH AND CASH EQUIVALENTS**

	31 December 2021	31 December 2020
	SR	SR
Cash in hand	1,082	3,615
Cash at bank	12,185,853	11,527,274
	<u>12,186,935</u>	<u>11,530,889</u>

**5 PREPAYMENTS, DEPOSITS AND OTHER ASSETS**

	31 December 2021	31 December 2020
	SR	SR
Accrued Income	7,899,446	6,757,724
Prepayments	391,902	219,324
Recovery expenses	288,523	258,877
Others	1,488	1,488
	<u>8,581,359</u>	<u>7,237,413</u>

**6 PROPERTY AND EQUIPMENT**

	Leasehold improvements	Furniture, fixtures and office equipment	Computer equipment	Total
	SR	SR	SR	SR
<b>2021</b>				
<b>Cost</b>				
Balance at 1 January 2021	414,382	138,528	319,736	872,646
Additions	-	19,416	-	19,416
Balance at 31 December 2021	<u>414,382</u>	<u>157,944</u>	<u>319,736</u>	<u>892,062</u>
<b>Accumulated depreciation</b>				
Balance at 1 January 2021	208,752	105,451	274,551	588,754
Charge for the year	41,823	7,312	6,281	55,416
Balance at 31 December 2021	<u>250,575</u>	<u>112,763</u>	<u>280,832</u>	<u>644,170</u>
<b>Carrying amount at 31 December 2021</b>	<u>163,807</u>	<u>45,181</u>	<u>38,904</u>	<u>247,892</u>
<b>2020</b>				
<b>Cost</b>				
Balance at 1 January 2020	205,267	104,890	319,736	629,893
Additions	209,115	33,638	-	242,753
Balance at 31 December 2020	<u>414,382</u>	<u>138,528</u>	<u>319,736</u>	<u>872,646</u>
<b>Accumulated depreciation</b>				
Balance at 1 January 2020	205,267	104,890	268,270	578,427
Charge for the year	3,485	561	6,281	10,327
Balance at 31 December 2020	<u>208,752</u>	<u>105,451</u>	<u>274,551</u>	<u>588,754</u>
<b>Carrying amount at 31 December 2020</b>	<u>205,630</u>	<u>33,077</u>	<u>45,185</u>	<u>283,892</u>

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**7 ACCRUED EXPENSES AND OTHER LIABILITIES**

	31 December 2021	31 December 2020
	SR	SR
Accrued employees' bonus	1,205,310	980,877
Accrued professional fees	168,450	173,000
Withholding tax payable	834	-
Others	1,135,620	10,008
	<u>2,510,214</u>	<u>1,163,885</u>

**8 EMPLOYEES' END OF SERVICE BENEFITS**

	31 December 2021	31 December 2020
	SR	SR
At the beginning of the year	904,322	894,277
Charge for the year	142,219	149,722
Paid during the year	(104,474)	(99,591)
Net actuarial (gain) on re-measurement	(18,169)	(40,086)
	<u>923,898</u>	<u>904,322</u>

Actuarial valuation was done for the aforesaid defined benefit plan using the following assumptions:

	31 December 2021	31 December 2020
Discount rate	3%	3%
Expected return on plan assets	N.A	N.A
<i>Salary escalation:</i>		
Staff	3%	3%
Executive	3%	3%
Mortality	Mortality Rate Table	Mortality Rate Table

**Reconciliation of net defined benefit Liability**

	31 December 2021	31 December 2020
	SR	SR
Opening defined benefit obligation	904,322	894,277
<i>Amounts charge to income statement;</i>		
Current service cost	122,808	122,839
Interest cost	19,411	26,883
<i>Remeasurements due to actuarial (gain)/loss charge to other comprehensive income arising from;</i>		
Changes in financial assumptions	(18,169)	(40,086)
Benefits paid	(104,474)	(99,591)
Closing defined benefit obligation	<u>923,898</u>	<u>904,322</u>

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**9 SHARE CAPITAL**

The authorised, issued and fully paid share capital as of 31 December 2021 comprises 7,500,000 shares of SR 1 each (2020: 7,500,000 shares of SR 1 each)

Name	2021	2020	2021	2020	2021	2020
	Shareholding %		Number of shares		Share capital (SR)	
Lazard Group LLC	95	95	7,125,000	7,125,000	7,125,000	7,125,000
Lazard Funding Limited LLC	5	5	375,000	375,000	375,000	375,000
	<b>100</b>	<b>100</b>	<b>7,500,000</b>	<b>7,500,000</b>	<b>7,500,000</b>	<b>7,500,000</b>

The country of registration of shareholders is the United States of America (USA).

**10 ABSORPTION OF LOSSES / ADDITIONAL CONTRIBUTION BY SHAREHOLDERS**

During 2021, the shareholders' resolved to inject SR 3,900,000 (2020: 3,800,000) to absorb the losses of the Company. The shareholders' absorption of loss in current year amounted to SR 3,900,000 (2020: SR 3,800,000).

In compliance with Article 181 of Law of Companies, the shareholders held a meeting on 03 December 2021 and resolved to absorb losses amounting to SR 3,900,000.

**11 STATUTORY RESERVE**

In accordance with Article 176 of the Regulations for Companies in Saudi Arabia and the Company's articles of association, the Company has established a statutory reserve by appropriation of 10% of net profit until the reserve equals 50% of the share capital. However, under the new Companies law, which is effective from 2 May 2016 this percentage has been reduced to 30%. This reserve is not available for dividend distribution.

Since the Company incurred loss for the year, no transfer has been made to statutory reserves (2020: loss for the year).

**12 RELATED PARTY TRANSACTIONS AND BALANCES**

In the ordinary course of its activities, the Company transacts business with related parties as per the terms approved by the management of the Company. The following is a summary of the transactions with related parties that took place during the year to 31 December 2021 and the outstanding balances that remained at 31 December 2021.

Related parties	Relationship
Lazard Group LLC	Shareholder
Lazard Funding Limited LLC	Shareholder
Lazard & Co Limited	Affiliate
Lazard Freres & Co LLC	Affiliate
Lazard & Co Services Limited	Affiliate
Lazard Gulf Limited	Affiliate
Lazard Strategic Coordination Company LLC (LSCC)	Affiliate
Lazard Freres SAS	Affiliate

Transactions	31 December 2021 SR	31 December 2020 SR
Intercompany expenses transactions, net	5,822,899	6,339,350
Allocated administrative and support cost (Note 14)	97,304	90,041
Absorption of Loss (note 10)	3,900,000	3,800,000



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**12 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

**Transactions (continued)**

**Compensation to key management personnel**

	<b>31 December 2021</b>	<b>31 December 2020</b>
	SR	SR
Salaries and other short-term benefits	<b>3,321,855</b>	<b>2,989,200</b>
Compensation expenses	<b>155,283</b>	<b>326,103</b>
	<b>3,477,138</b>	<b>3,315,303</b>

**Balances**

**Balances**

	<b>31 December 2021</b>	<b>31 December 2020</b>
	SR	SR
<b>Due from Related Parties</b>		
Lazard Group LLC	<b>Reimbursable Expenses 378,212</b>	<b>297,101</b>
Lazard & Co. Services	<b>Reimbursable Expenses -</b>	<b>19,144</b>
Lazard & Co., Limited	<b>Reimbursable Expenses 734,379</b>	<b>730,024</b>
Lazard Frères SAS	<b>Reimbursable Expenses 1,130,602</b>	<b>-</b>
Lazard Gulf Limited	<b>Reimbursable Expenses 598</b>	<b>-</b>
<b>Total</b>	<b>2,243,791</b>	<b>1,046,269</b>

**Balances**

	<b>31 December 2021</b>	<b>31 December 2020</b>
	SR	SR
<b>Due to related parties</b>		
Lazard Group LLC	<b>Restricted unit shares and expenses paid by related party 3,313,346</b>	<b>2,481,151</b>
Lazard Freres & Co. LLC	<b>Expenses paid by related party 15,678</b>	<b>8,378</b>
Lazard & Co Limited	<b>Expenses paid by related party 1,337,878</b>	<b>1,327,655</b>
LSSC	<b>Expenses paid by related party 9,680</b>	<b>9,607</b>
Lazard Freres SAS	<b>Expenses paid by related party 7,143,026</b>	<b>6,064,890</b>
Lazard & Co Services Limited	<b>Expenses paid by related party 48,258</b>	<b>88,126</b>
Lazard Gulf Limited	<b>Expenses paid by related party 82,184</b>	<b>59,198</b>
<b>Total</b>	<b>11,950,050</b>	<b>10,039,005</b>

The above outstanding balances carry no interest and have no fixed repayment date.

**LAZARD SAUDI ARABIA COMPANY (CLOSED JOINT STOCK COMPANY)**  
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**13 EQUITY-BASED INCENTIVE COMPENSATION AWARDS**

The Company has allotted equity-based Incentive compensation awards to its key management. Under the award, the Company provides Restricted Stocks Units (RSUs) of its ultimate Parent Company, Lazard LTD. The stocks are vested subject to completion of vesting period. The plan of Lazard LTD under which RSUs are awards is termed as Company's 2008 plan. Ultimate vestment of RSUs will be in the form of Class A common stock.

RSUs generally require future service as a condition for the delivery of the underlying shares of Class A common stock. The grant date fair value of the RSUs, net of an estimated forfeiture rate, is amortized over the vesting periods or requisite service periods (generally one-third after two years, and the remaining two-thirds after the third year) and is adjusted for actual forfeitures over such period. RSUs generally include a dividend participation right that provides that during vesting periods each RSU is attributed additional RSUs (or fractions thereof) equivalent to any dividends paid on Class A common stock during such period.

	31 December 2021	31 December 2020
Number of RSUs issued-units	153	368
Charges to salaries-SR	155,283	326,103
Liability for RSUs-SR	2,856,420	2,679,854

**13 EQUITY-BASED INCENTIVE COMPENSATION AWARDS (CONTINUED)**

	Units	Weighted average price of shares (SR)
Balance at 1 January 2020	8,311	43.47
Granted	368	42.51
Forfeited	-	-
Vested	(3,142)	46.11
Balance at 31 December 2020	5,537	41.90
Granted	153	39.15
Forfeited	-	-
Vested	(2,868)	46.63
Balance at 31 December 2021	2,822	36.95

**14 GENERAL AND ADMINISTRATIVE EXPENSES**

	Notes	31 December 2021 SR	31 December 2020 SR
Salaries and related expenses		4,356,825	3,858,838
Rent		265,000	299,458
Legal and professional fees		757,025	453,927
Depreciation	6	55,416	10,327
Allocated administrative and support costs	12	97,304	90,041
Business travel expenses		7,254	7,539
Communication and Internet expenses		112,273	139,078
Outsourced services		71,295	207,652
Printing, courier and stationery		4,699	14,801
Insurance expenses		32,274	32,005
Others		41,322	49,759
		5,800,657	5,163,425

**LAZARD SAUDI ARABIA COMPANY (CLOSED JOINT STOCK COMPANY)  
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**15 TAXATION**

The Company has tax loss, therefore, no provision for income tax has been recorded for the year ended 31 December 2021 (2020: Nil).

The Company does not anticipate availability of future taxable profit to utilize any tax credits. Therefore, no deferred tax asset has been recognized at reporting date amounting SAR 10,304,167. Furthermore, no temporary taxable differences exist at reporting date.

The Company has filed its income tax returns for the years 2010 to 2020, which are still under review by the Zakat, Tax and Customs Authority (ZATCA).

**16 RISK MANAGEMENT OF FINANCIAL INSTRUMENTS**

Financial assets of the Company comprise cash and cash equivalents, due from related parties and other assets while financial liabilities of the Company comprise due to related parties, accrued expenses and other liabilities.

**16.1 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets, which are potentially subject to concentration of credit risk, consist principally of cash at bank, receivables, due from related parties and other receivables. The Company's cash at bank is placed with a bank of repute and hence the credit risk is limited. There is no credit risk pertaining to the balances with related parties and customers.

**16.2 Foreign exchange risk**

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals and United States Dollars. Management monitors the fluctuations in currency exchange rates and believes that the Company is not exposed to significant foreign exchange risk.

**16.3 Liquidity risk**

Liquidity risk is the risk that arises from the difficulty of selling an asset in a timely manner and quickly enough to prevent or minimize a loss. Liquidity risk is closely monitored by performing a regular review of available funds and present and future commitments.

**17 FAIR VALUE**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Company's financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

**18 CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments exist at reporting date.

**LAZARD SAUDI ARABIA COMPANY (CLOSED JOINT STOCK COMPANY)  
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**19 NON-ADJUSTING EVENTS**

The Company does not have non-adjusting events after reporting date.

**20 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Board of Directors on 29 March 2022 G corresponding to 26 Shaaban 1443 H.



**Chairman of the Board  
Directors**



**Chief Financial Officer**



**Financial Officer**