

**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 2023**

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 2023**

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF L'AZURDE COMPANY FOR JEWELRY

(1 /2)

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated statement of financial position L'azurde Company for Jewelry and its subsidiaries (together "the Group") as of 30 June 2023 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 2023 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 International Standard on Review Engagement 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 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 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 financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

OTHER MATTER

The financial statements of the Group for the year ended 31 December 2022 were audited by another firm of chartered accountants who expressed a modified opinion on those statements dated 1 Ramadan 1444H, corresponding to 23 March 2023. The basis for the modified opinion of predecessor auditor was as follows:

"We noted during our audit that selling and marketing expenses in the consolidated statement of profit and loss for the year ended 31 December 2022 include gold calibration costs of SAR 37,212,886 (31 December 2021: SAR 30,677,129). Gold calibration costs represent costs incurred to refine low carat gold collected from customers as settlement of their gold receivables. In our view, gold calibration costs are production

**PKF****Ibrahim Ahmed Al-Bassam
& Co. Certified Public Accountants**

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF L'AZURDE COMPANY FOR JEWELRY**(2 /2)**

OTHER MATTER (CONTINUED)

related costs and therefore should be capitalized as part of the cost of inventory, and expensed in profit or loss when the inventory is sold. We were unable to determine the necessary adjustments to the cost of revenue and closing inventory on the consolidated financial statements for the current year and prior year, respectively.”

For Al-Bassam & Co.

Ibrahim Ahmed Al-Bassam
Certified Public Accountant
License No. 337
Riyadh: 28 Muharram 1445H
Corresponding to: 15 August 2023

**RIYADH**

Tel. +966 11 206 5333 P.O Box 69658
Fax +966 11 206 5444 Riyadh 11557

JEDDAH

Tel. +966 12 652 5333 P.O Box 15651
Fax +966 12 652 2894 Jeddah 21454

AL KHOBAR

Tel. +966 13 893 3378 P.O Box 4636
Fax +966 13 893 3349 Al Khobar 11557

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	30 June 2023 (Unaudited) SAR	31 December 2022 (Audited) SAR
ASSETS			
Non-Current Assets			
Property and equipment		57,879,914	58,785,688
Right-of-use assets		41,583,948	39,450,481
Goodwill and intangible assets		135,618,634	136,551,350
Other non-current assets		1,669,663	1,653,454
Total Non-Current Assets		236,752,159	236,440,973
Current Assets			
Inventories		823,160,541	912,181,881
Accounts receivable	5	334,465,394	288,618,364
Other current assets		225,638,867	132,884,337
Gold margin		55,885,872	53,004,309
Cash and cash equivalents		67,672,395	59,103,028
Total Current Assets		1,506,823,069	1,445,791,919
TOTAL ASSETS		1,743,575,228	1,682,232,892
EQUITY AND LIABILITIES			
Equity			
Share capital		575,000,000	575,000,000
Statutory reserve		27,807,194	27,807,194
Retained earnings		36,447,601	34,820,675
Foreign currency translation reserve		(270,747,009)	(248,176,726)
Total Equity		368,507,786	389,451,143
Liabilities			
Non-Current Liabilities			
Employees' end of service benefits		29,191,988	28,466,702
Lease liabilities		22,745,314	24,192,042
Deferred tax liability		839,233	1,047,303
Total Non-Current Liabilities		52,776,535	53,706,047
Current Liabilities			
Accounts payable for gold	6	1,188,888,922	1,143,586,093
Accounts payable and other current liabilities		53,362,382	60,879,724
Short-term murabaha cash facilities	7	29,712,459	--
Current portion of lease liabilities		13,693,360	9,282,969
Due to related parties	11	1,565,825	511,698
Dividend payable		17,633,755	385,719
Zakat and income tax liability	9	17,434,204	24,429,499
Total Current Liabilities		1,322,290,907	1,239,075,702
Total Liabilities		1,375,067,442	1,292,781,749
TOTAL EQUITY AND LIABILITIES		1,743,575,228	1,682,232,892

Ayman Gamil

Ayman Gamil
Chief Financial Officer

Selim Chidiac

Selim Chidiac
Chief Executive Officer

Sabah Al Moayyed

Sabah Almoayyed
Authorized Board Member

L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 2023
(Un-audited)

	Notes	Three-month period ended		Six-month period ended	
		30 June	30 June	30 June	30 June
		2023	2022	2023	2022
		SAR	SAR	SAR	SAR
REVENUE					
Gold		362,573,983	306,963,750	732,783,432	769,740,896
Operations		115,264,577	117,082,511	241,385,752	268,829,390
		<u>477,838,560</u>	<u>424,046,261</u>	<u>974,169,184</u>	<u>1,038,570,286</u>
COST OF REVENUE					
Gold		(362,573,983)	(306,963,750)	(732,783,432)	(769,740,896)
Operations		(44,462,162)	(43,384,362)	(91,456,422)	(95,963,126)
		<u></u>	<u></u>	<u></u>	<u></u>
GROSS PROFIT		70,802,415	73,698,149	149,929,330	172,866,264
OPERATING EXPENSES					
Selling and marketing expenses		(31,070,113)	(34,034,839)	(63,777,269)	(74,755,104)
General and administrative expenses		(11,906,975)	(12,410,766)	(23,567,112)	(25,304,611)
Gold calibration expenses	8	(8,867,307)	(11,096,595)	(18,190,623)	(23,721,708)
Provision for expected credit loss	5	(274,928)	(1,244,858)	(588,261)	(4,117,380)
		<u></u>	<u></u>	<u></u>	<u></u>
OPERATING PROFIT		18,683,092	14,911,091	43,806,065	44,967,461
OTHER INCOME / (EXPENSES)					
Other income / (expenses) – net		972,931	724,665	(762,754)	1,303,605
Finance costs – net		(8,962,565)	(6,832,668)	(17,283,866)	(14,961,202)
		<u></u>	<u></u>	<u></u>	<u></u>
PROFIT BEFORE ZAKAT AND INCOME TAX		10,693,458	8,803,088	25,759,445	31,309,864
Zakat	9	(2,069,886)	(1,985,354)	(3,861,892)	(4,993,633)
Income tax	9	(1,395,840)	1,689,282	(3,020,627)	(4,097,329)
		<u></u>	<u></u>	<u></u>	<u></u>
NET PROFIT FOR THE PERIOD		7,227,732	8,507,016	18,876,926	22,218,902
NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the Parent Company		<u>7,227,732</u>	<u>8,507,016</u>	<u>18,876,926</u>	<u>22,218,902</u>
EARNINGS PER SHARE:					
Basic and diluted	10	<u>0.13</u>	<u>0.15</u>	<u>0.33</u>	<u>0.39</u>

Ayman Gamil
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Chief Financial Officer

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L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
 COMPREHENSIVE INCOME
 FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 2023
 (Un-audited)**

	<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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>
NET PROFIT FOR THE PERIOD	7,227,732	8,507,016	18,876,926	22,218,902
OTHER COMPREHENSIVE LOSS				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	(254,366)	(4,961,926)	(22,570,283)	(35,337,207)
Other comprehensive loss for the period – net of tax and zakat	(254,366)	(4,961,926)	(22,570,283)	(35,337,207)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	6,973,366	3,545,090	(3,693,357)	(13,118,305)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:				
Equity holders of the Parent Company	<u>6,973,366</u>	<u>3,545,090</u>	<u>(3,693,357)</u>	<u>(13,118,305)</u>

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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 SIX-MONTH PERIOD ENDED 30 JUNE 2023

	Share Capital SAR	Statutory Reserve SAR	Retained Earnings SAR	Foreign Currency Translation Reserve SAR	Total SAR
SIX-MONTH PERIOD ENDED 30 JUNE 2023					
Balance at 1 January 2023 (Audited)	575,000,000	27,807,194	34,820,675	(248,176,726)	389,451,143
Net profit for the period	-	-	18,876,926	-	18,876,926
Other comprehensive loss for the period	-	-	-	(22,570,283)	(22,570,283)
Total comprehensive loss for the period	-	-	18,876,926	(22,570,283)	(3,693,357)
Dividends (note 15)	-	-	(17,250,000)	-	(17,250,000)
Balance at 30 June 2023 (Unaudited)	575,000,000	27,807,194	36,447,601	(270,747,009)	368,507,786
SIX-MONTH PERIOD ENDED 30 JUNE 2022					
Balance at 1 January 2022 (Audited)	575,000,000	24,391,007	19,356,855	(164,552,679)	454,195,183
Net profit for the period	-	-	22,218,902	-	22,218,902
Other comprehensive loss for the period	-	-	-	(35,337,207)	(35,337,207)
Total comprehensive loss for the period	-	-	22,218,902	(35,337,207)	(13,118,305)
Dividends (note 15)	-	-	(14,375,000)	-	(14,375,000)
Balance at 30 June 2022 (Unaudited)	575,000,000	24,391,007	27,200,757	(199,889,886)	426,701,878

Ayman Gamil

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The annexed notes from 1 – 17 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
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (Un-audited)

	Note	30 June 2023 SAR	30 June 2022 SAR
OPERATING ACTIVITIES			
Profit before zakat and tax		25,759,445	31,309,864
Adjustments to reconcile profit before zakat and tax to net cash from operating activities:			
Depreciation of property and equipment		5,894,600	7,126,250
Depreciation of right-of-use assets		10,255,653	13,347,348
Amortization of intangible assets		1,240,219	1,181,300
Provision for employees' end of service benefits		1,398,226	1,867,679
Provision for expected credit losses	5	588,261	4,117,380
Finance costs – net		17,283,866	14,679,574
(Gain) / loss on sale of property and equipment and intangible assets		(90,873)	155,763
Melting costs and charge for slow moving inventory		1,680,442	1,747,740
Foreign currency exchange differences - net		3,071,807	(689,215)
Operating cashflow before changes in working capital		67,081,646	74,843,683
Net changes in working capital:			
Inventories		73,189,728	10,013,333
Accounts receivable		(49,249,337)	(96,382,807)
Other current assets		(99,112,216)	(85,513,615)
Accounts payable, related parties and other payables		(2,951,631)	5,728,185
Account payable for gold		45,302,829	131,272,052
Gold margin		(2,881,563)	128,661
Cash generated from operating activities		31,379,456	40,089,492
Employees' end of service benefits paid		(728,137)	(4,030,832)
Finance costs paid – gold facilities		(12,168,554)	(9,357,288)
Income taxes paid		(4,526,994)	(5,869,453)
Zakat paid		(7,955,741)	(6,967,094)
Net cash generated from operating activities		6,000,030	13,864,825
INVESTING ACTIVITIES			
Purchase of property and equipment		(9,628,722)	(3,345,193)
Proceeds from sale of property and equipment		95,663	23,087
Purchase of intangible assets		(402,694)	(1,296,187)
Other non-current assets		(16,209)	173,526
Net cash used in investing activities		(9,951,962)	(4,444,767)
FINANCING ACTIVITIES			
Cash facilities (Tawaruq)		29,000,000	15,000,000
Repayments of lease liabilities		(11,579,312)	(14,718,514)
Finance costs paid – cash facilities		(2,112,959)	(1,490,576)
Cash margins		-	96,000
Net cash generated from / (used in) financing activities		15,307,729	(1,113,090)
Net change in cash and cash equivalents		11,355,797	8,306,968
Cash and cash equivalents at beginning of the period		59,103,028	74,501,484
Exchange differences on cash and cash equivalents		(2,786,430)	(9,569,600)
Cash and cash equivalents at end of the period		67,672,395	73,238,852
Non-cash transactions			
Increase in lease liabilities and right of use assets		16,616,256	10,791,886

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The annexed notes from 1 – 17 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 2023 (Un-audited)

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 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 15 Rabi Thani 1429H corresponding to 21 April 2008. The Group's other permissible activities include distribution of glasses, watches, accessories, pens, perfumes, leather products and export of gold wares, alloys and silver.

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

The Parent Company directly or indirectly owns 100% as at 30 June 2023 (31 December 2022: 100%) share capital in each subsidiary except L'azurde Company for Jewellery LLC ("LCJ Qatar") in the State of Qatar. The direct ownership of the Parent Company in LCJ Qatar is 49%, however, based on the agreement with the nominee shareholder of LCJ Qatar, the Parent Company is entitled to 98% of the economic benefits of LCJ Qatar.

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

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

L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (Un-audited)

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 jewelry.

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 jewelry, perfume, men and women accessories, leather products and managing franchises and trademarks.

2. STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as endorsed in Kingdom of Saudi Arabia by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and other standards and pronouncements issued by SOCPA.

The interim condensed consolidated financial statements should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended 31 December 2022. They do not include all the information required for a complete set of IFRS financial statements; however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to obtain understanding of the changes in Group's financial position and performance since 31 December 2022. In addition, the results of operations for the period ended 30 June 2023 do not necessarily represent an indicator for the results of the operations for the year ending 31 December 2023.

3. BASIS OF PREPARATION

Basis of measurement

These interim condensed consolidated financial statements have been prepared under historical cost basis except for certain financial assets and financial liabilities which are measured at fair value.

Functional and Presentation Currency

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

Use of Estimates and Judgments

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

The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainties were the same as those disclosed in the annual consolidated financial statements for the year ended 31 December 2022.

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 2023 (Un-audited)

3. BASIS OF PREPARATION (continued)

New amended standards and interpretations

There are no new standards issued; however, there are a few amendments to applicable accounting standards which were effective from 1 January 2023 and explained in Group consolidated financial statements for the year ended 31 December 2022. The Group's management believes that the new standards or amendments effective from 1 January 2023 do not have a material effect on the Group's interim condensed consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these interim condensed consolidated financial statements for the period ended 30 June 2023 are consistent with those applied by the Group in its consolidated financial statements for the year ended 31 December 2022.

5. ACCOUNTS RECEIVABLE

	30 June 2023 (Unaudited) SAR	31 December 2022 (Audited) SAR
Accounts receivable	364,565,999	320,293,725
Provision for expected credit losses	(30,100,605)	(31,675,361)
	334,465,394	288,618,364

Movement in the provision for expected credit losses is as follows:

At beginning of the period / year	31,675,361	34,724,275
Charge for the period / year	588,261	3,754,298
Foreign exchange differences	(2,163,017)	(6,803,212)
At the end of the period / year	30,100,605	31,675,361

6. ACCOUNTS PAYABLE FOR GOLD

	30 June 2023 (Unaudited) SAR	31 December 2022 (Audited) SAR
Accounts payable for gold	1,188,888,922	1,143,586,093

The Group procures its entire needs of gold for production exclusively from various banks under annual agreements covering gold purchases with agreed payment terms ranging from 1 to 3 months (2022: 1 to 3 months) and agreed profit rates. The settlement of the gold procured at the maturity dates is always made in gold and not in cash, while the profit margin is always settled in cash.

The Group has provided a standby letter of credit to a bank amounting to SAR 420 million (31 December 2022: SAR 420 million) as security against procured gold.

7. SHORT-TERM MURABAHA FACILITIES

	30 June 2023 (Unaudited) SAR	31 December 2022 (Audited) SAR
Cash facilities (Tawaruq)	29,712,459	-

The Group has obtained Islamic Tawaruq cash facilities from various banks solely to finance working capital requirements, with agreed profit rates and maturity periods ranging from 1 to 2 months.

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 2023 (Un-audited)

8. GOLD CALIBRATION EXPENSES

Gold calibration expenses result from lower gold purity in physical gold collected from customers, as settlement of their accounts receivable balances denominated in gold. The Group records this expense as part of the accounts receivable collection department operating expenses, in line with the Group's and industry's practice, as this expense is incurred at the time of settlement of accounts receivable and due to the Group's commercial policy of accepting lower gold purity from customers to avoid any delay in the collection, any impact of gold price fluctuation, higher credit risk, increase in working capital and the associated financing cost. This expense results from a commercial decision to accept lower purity gold from customers, and this decision can be changed at any time by the Company depending on market circumstances.

9. ZAKAT AND INCOME TAX

Zakat for the period

Zakat charge on the Group for the six-month period ended 30 June 2023 amounted to SAR 3.9 million (six-month period ended 30 June 2022: SAR 5.0 million).

Status of zakat assessments

The Company has filed the zakat returns for all the years up to 2022 and obtained respective zakat certificates. The Company has received an assessment for the year 2015 with a liability of approximately SAR 10.5 million in addition to the delay penalty, relating to a potential income tax liability on one of its previous shareholders. The Company has appealed to the General Secretariat for Zakat, Tax and Customs Committees (GSTC). No provision was created for this assessment as the Company believes that this matter relates to the previous shareholder.

Income tax for the period

Income tax charge on the Group for the six-month period ended 30 June 2023 amounted to SAR 3.0 million (six-month period ended 30 June 2022: SAR 4.1 million).

Status of income tax assessments related to major 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.

10. EARNINGS PER SHARE - BASIC AND DILUTED

	Six - month period ended	
	30 June	30 June
	2023	2022
	(Unaudited)	(Unaudited)
Net profit for the period attributable to equity holders of the parent (in SAR)	18,876,926	22,218,902
Weighted average number of ordinary shares during the period	57,500,000	57,500,000
Basic and diluted earnings per share (in SAR)	0.33	0.39

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 on 30 June 2023 (30 June 2022: nil).

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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 in the normal course of the Group's business. These balances are expected to be settled in the normal course of 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 are as follows:

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

<u>Nature of transactions</u>		<u>Amount of transactions</u>		<u>Balances</u>	
		<u>30 June 2023</u>	<u>30 June 2022</u>	<u>30 June 2023</u>	<u>31 December 2022</u>
		<u>SAR</u>	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>
<u>Due to related parties:</u>					
Board of Directors	Remuneration	1,364,575	1,390,579	1,364,575	1,358,422
Board of Directors	Reversal of 2021 disapproved remuneration	(947,349)	-	-	(947,349)
Key management personnel	Remuneration	3,666,174	3,666,174	-	-
Director	Services fee	201,250	176,250	201,250	100,625
		4,284,650	5,233,003	1,565,825	511,698

12. FINANCIAL INSTRUMENTS

Fair value measurements of financial instruments

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

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

The 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.

13. CONTINGENCIES AND COMMITMENTS

Contingencies:

The Group provided letters of guarantee amounting to SAR 7.4 million as at 30 June 2023 (31 December 2022: SAR 7.1 million) in relation to its operations.

The Group has provided a standby letter of credit to a bank amounting to SAR 420 million (31 December 2022: SAR 420 million) as security against procured gold.

Commitments:

The Group has SAR 4.5 million of commitments in respect of capital expenditures as at 30 June 2023 (31 December 2022: SAR 4.4 million).

The Group has SAR 2.3 million of commitment of EUR forward currency contracts and SAR 13 million of gold forward contracts as at 30 June 2023 (31 December 2022: SAR 9 million and SAR 34 million respectively).

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14. SEGMENTAL INFORMATION

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

<u>Six-months ended 30 June 2023 (Unaudited)</u>	Wholesale SAR	Retail SAR	Total SAR
Revenues - Gold	732,783,432	-	732,783,432
- Operations	135,251,247	106,134,505	241,385,752
Gross profit	95,343,789	54,585,541	149,929,330
<u>Three-months ended 30 June 2023 (Unaudited)</u>			
Revenues - Gold	362,573,983	-	362,573,983
- Operations	62,613,903	52,650,674	115,264,577
Gross profit	44,165,484	26,636,931	70,802,415
<u>As at 30 June 2023 (Unaudited)</u>			
Net book value of property and equipment	46,237,727	11,642,187	57,879,914
Total assets	1,457,780,581	285,794,647	1,743,575,228
Total liabilities	(1,332,455,072)	(42,612,370)	(1,375,067,442)
<u>Six-months ended 30 June 2022 (Unaudited)</u>			
Revenues - Gold	769,740,896	-	769,740,896
- Operations	158,426,460	110,402,930	268,829,390
Gross profit	112,277,228	60,589,036	172,866,264
<u>Three-months ended 30 June 2022 (Unaudited)</u>			
Revenues - Gold	306,963,750	-	306,963,750
- Operations	65,601,041	51,481,470	117,082,511
Gross profit	45,203,919	28,494,230	73,698,149
<u>As at 31 December 2022 (Audited)</u>			
Net book value of property and equipment	50,706,779	8,078,909	58,785,688
Total assets	1,437,664,952	244,567,940	1,682,232,892
Total liabilities	(1,257,597,676)	(35,184,073)	(1,292,781,749)

15. DIVIDENDS

On 1 Dhul Hijjah 1444H (corresponding to 19 June 2023), the Extraordinary General Assembly approved distribution of cash dividends for the year 2022 amounting to SAR 17,250,000 (at SAR 0.3 per share) and the dividend was paid to shareholders on 13 July 2023.

On 1 Dhul Hijjah 1443H (corresponding to 30 June 2022), the Extraordinary General Assembly approved distribution of cash dividends for the year 2021 amounting to SAR 14,375,000 (at SAR 0.25 per share) and the dividend was paid to shareholders on 28 July 2022.

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16. SUBSEQUENT EVENTS

In July 2023, LCJ Dubai, a subsidiary, sold property and equipment having net book value of SAR 5.3 million to an external buyer for SAR 16.4 million, thereby profit on disposal of SAR 10.1 million was recognized after deducting expenses of disposal of SAR 1.0 million.

Except for what is stated in the above paragraph, there are no significant subsequent events since the period-end that require additional disclosure in these interim condensed consolidated financial statements.

17. BOARD OF DIRECTORS APPROVAL

These Interim Condensed Consolidated Financial Statements were approved by the Board of Directors on 23 Muharram 1445H (corresponding to 10 August 2023).