

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT  
FOR THE THREE-MONTH PERIOD  
ENDED 31 MARCH 2023**

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

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

(A Saudi Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of **L'azurde Company for Jewelry** (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 March 2023 and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income and the interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the three-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', as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review**

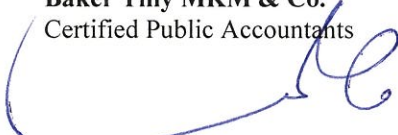
We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim condensed consolidated financial statements consists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

**Basis of Qualified Conclusion**

We noted during our review that selling and marketing expense in the interim condensed consolidated statement of profit and loss for the period ended 31 March 2023 include gold calibration cost of SAR 8,525,733 (31 March 2022: SAR 11,314,058). Gold calibration cost represents costs incurred to refine low carat gold collected from customers as settlement of their gold receivables. In our view, gold calibration cost are production related costs and therefore, should be capitalized as part 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 interim condensed consolidated financial statements for the current period and prior periods respectively.

**Qualified Conclusion**

Based on our review, except for the effects of the matter described in the "Basis for Qualified Conclusion" section, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated do not present fairly, in all material respects, the financial position of the entity as at March 31, 2023, and its financial performance and its cash flows for the three-month period then ended, in accordance with IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

**Baker Tilly MKM & Co.**  
Certified Public Accountants  
**Majed Moneer AlNemer**  
(License No. 381)  
Riyadh, on 28 Shawal 1444H  
Corresponding to 18 May 2023

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL  
POSITIONAS AT 31 MARCH 2023**

	Notes	31 March 2023 (Unaudited) SAR	31 December 2022 (Audited) SAR
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property and equipment		58,196,102	58,785,688
Right-of-use-assets		36,101,296	39,450,481
Intangible assets and goodwill		136,035,740	136,551,350
Other non-current assets		1,330,836	1,653,454
<b>Total Non-Current Assets</b>		<b>231,663,974</b>	<b>236,440,973</b>
<b>Current Assets</b>			
Inventories		851,128,710	912,181,881
Accounts receivable	5	346,178,714	288,618,364
Other current assets		212,741,319	132,884,337
Gold margins		58,095,119	53,004,309
Cash and cash equivalents		68,675,937	59,103,028
<b>Total Current Assets</b>		<b>1,536,819,799</b>	<b>1,445,791,919</b>
<b>TOTAL ASSETS</b>		<b>1,768,483,773</b>	<b>1,682,232,892</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	6	575,000,000	575,000,000
Statutory reserve		27,807,194	27,807,194
Retained earnings		46,469,869	34,820,675
Foreign currency translation reserve	13	(270,492,643)	(248,176,726)
<b>Total Equity</b>		<b>378,784,420</b>	<b>389,451,143</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Employees' end of service benefits		28,677,757	28,466,702
Lease liabilities		22,888,394	24,192,042
Deferred tax liability		841,993	1,047,303
<b>Total Non-Current Liabilities</b>		<b>52,408,144</b>	<b>53,706,047</b>
<b>Current Liabilities</b>			
Accounts payable for gold	7	1,224,014,566	1,143,586,093
Accounts payable and other current liabilities		62,297,388	61,777,141
Short-term murabaha cash facilities		15,000,000	-
Current portion of lease liabilities		9,764,589	9,282,969
Zakat and income tax liability	8	26,214,666	24,429,499
<b>Total Current Liabilities</b>		<b>1,337,291,209</b>	<b>1,239,075,702</b>
<b>Total Liabilities</b>		<b>1,389,699,353</b>	<b>1,292,781,749</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,768,483,773</b>	<b>1,682,232,892</b>

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

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

*Sabah Al Moayyed*  
**Sabah Almoayyed**  
Authorized Board Member

The annexed notes from 1 – 16 form an integral part of these Consolidated Financial Statements

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

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

	Notes	31 March 2023 (Unaudited) SAR	31 March 2022 (Unaudited) SAR
<b>REVENUE</b>			
Gold		370,209,449	462,777,146
Operations		126,121,175	151,746,879
		<u>496,330,624</u>	<u>614,524,025</u>
<b>COST OF REVENUE</b>			
Gold		(370,209,449)	(462,777,146)
Operations		(46,994,260)	(52,578,764)
		<u></u>	<u></u>
<b>GROSS PROFIT</b>		<b>79,126,915</b>	<b>99,168,115</b>
<b>OPERATING EXPENSES</b>			
Selling and marketing expenses		(42,030,472)	(53,345,378)
General and administrative expenses		(11,660,137)	(12,893,845)
Provision for expected credit loss		(313,333)	(2,872,522)
		<u></u>	<u></u>
<b>OPERATING PROFIT</b>		<b>25,122,973</b>	<b>30,056,370</b>
<b>OTHER EXPENSES</b>			
Other (expense) / income – net		(1,735,685)	578,940
Finance costs – net		(8,321,301)	(8,128,534)
		<u></u>	<u></u>
<b>PROFIT BEFORE ZAKAT AND INCOME TAX</b>		<b>15,065,987</b>	<b>22,506,776</b>
Zakat	8	(1,792,006)	(3,008,279)
Income tax	8	(1,624,787)	(5,786,611)
		<u></u>	<u></u>
<b>NET PROFIT FOR THE PERIOD</b>		<b>11,649,194</b>	<b>13,711,886</b>
<b>NET PROFIT FOR THE PERIOD</b>			
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the parent		<u>11,649,194</u>	<u>13,711,886</u>
<b>EARNINGS PER SHARE:</b>			
Basic and diluted	9	<u>0.20</u>	<u>0.24</u>

*Ayman Gamil*  
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 Chief Financial Officer

*Selim Chidiac*  
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 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  
COMPREHENSIVE INCOME  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

	<u>31 March 2023</u> SAR	<u>31 March 2022</u> SAR
<b>NET PROFIT FOR THE PERIOD</b>	<b>11,649,194</b>	<b>13,711,886</b>
<b>OTHER COMPREHENSIVE LOSS</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translation of foreign operations	<u>(22,315,917)</u>	<u>(30,375,281)</u>
<b>Other comprehensive loss for the period – net of tax</b>	<u>(22,315,917)</u>	<u>(30,375,281)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<u>(10,666,723)</u>	<u>(16,663,395)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO:</b>		
Equity holders of the parent	<u>(10,666,723)</u>	<u>(16,663,395)</u>

<i>Ayman Gamil</i>	<i>Selim Chidiac</i>	<i>Sabah Al Moayyed</i>
Ayman Gamil	Selim Chidiac	Sabah Almoayyed
Chief Financial Officer	Chief Executive Officer	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 CHANGES IN EQUITY  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

	Share capital SAR	Statutory reserve SAR	Retained earnings SAR	Foreign currency translation reserve SAR	Total SAR
<b>THREE-MONTH PERIOD ENDED 31 MARCH 2023</b>					
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	-	-	11,649,194	-	11,649,194
Other comprehensive loss for the period	-	-	-	(22,315,917)	(22,315,917)
<b>Total comprehensive loss for the period</b>	-	-	11,649,194	(22,315,917)	(10,666,723)
<b>Balance at 31 March 2023 (Unaudited)</b>	<b>575,000,000</b>	<b>27,807,194</b>	<b>46,469,869</b>	<b>(270,492,643)</b>	<b>378,784,420</b>

**THREE-MONTH PERIOD ENDED 31 MARCH 2022**

Balance at 1 January 2022 (Audited)	575,000,000	24,391,007	19,356,855	(164,552,679)	454,195,183
Net profit for the period	-	-	13,711,886	-	13,711,886
Other comprehensive loss for the period	-	-	-	(30,375,281)	(30,375,281)
<b>Total comprehensive loss for the period</b>	-	-	13,711,886	(30,375,281)	(16,663,395)
<b>Balance at 31 March 2022 (Unaudited)</b>	<b>575,000,000</b>	<b>24,391,007</b>	<b>33,068,741</b>	<b>(194,927,960)</b>	<b>437,531,788</b>

<i>Ayman Gamil</i>	<i>Selim Chidiac</i>	<i>Sabah Al Moayyed</i>
Ayman Gamil Chief Financial Officer	Selim Chidiac Chief Executive Officer	Sabah Al Moayyed 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 CASH FLOWS  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

	31 March 2023 (Unaudited) SAR	31 March 2022 (Unaudited) SAR
<b>OPERATING ACTIVITIES</b>		
Profit before zakat and income tax	15,065,987	22,506,776
<b>Adjustments to reconcile profit before zakat and income tax to net cash from operating activities:</b>		
Depreciation of property and equipment	2,897,994	3,767,147
Depreciation of right-of-use assets	5,142,753	7,004,804
Amortization of intangible assets	612,055	565,900
Provision for employees' end of service benefits	696,219	938,730
Provision for expected credit losses	313,333	2,872,522
Finance costs - net	8,321,301	7,987,720
(Gain) / loss on disposal of property and equipment	(455)	138,411
Melting costs and charge for slow moving inventory	770,595	1,349,986
Foreign currency exchange differences - net	2,671,868	(1,500,057)
<b>Operating cash flows before changes in working capital</b>	<b>36,491,650</b>	<b>45,631,939</b>
<b>Net changes in working capital:</b>		
Inventories	50,316,300	(10,525,010)
Accounts receivable	(63,476,538)	(121,246,882)
Other current assets	(84,016,339)	(61,463,113)
Accounts payable and other current liabilities	4,650,409	8,019,152
Account payable for gold	80,428,473	165,944,061
Gold margins	(5,090,810)	(2,058,810)
	19,303,145	24,301,337
Employees' end of service benefits paid	(264,346)	(347,437)
Finance costs paid – accounts payable for gold	(8,148,748)	(6,614,366)
Income taxes paid	(260,104)	-
<b>Net cash generated from operating activities</b>	<b>10,629,947</b>	<b>17,339,534</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(7,131,824)	(2,153,348)
Proceeds from sale of property and equipment	463	3,640
Purchase of intangible assets	(189,667)	(438,356)
Other non-current assets	322,618	322,180
<b>Net cash used in investing activities</b>	<b>(6,998,410)</b>	<b>(2,265,884)</b>
<b>FINANCING ACTIVITIES</b>		
Short-term murabaha cash facilities	15,000,000	-
Repayments of lease liabilities	(3,813,338)	(6,059,533)
Finance costs paid – cash facilities	(968,844)	(703,265)
Cash margins	-	96,000
<b>Net cash generated from / (used in) financing activities</b>	<b>10,217,818</b>	<b>(6,666,798)</b>
<b>Net change in cash and cash equivalents</b>	<b>13,849,355</b>	<b>8,406,852</b>
Cash and cash equivalents at beginning of the year	59,103,028	74,501,484
Exchange differences on cash and cash equivalents	(4,276,446)	(8,378,474)
<b>Cash and cash equivalents at end of the year</b>	<b>68,675,937</b>	<b>74,529,862</b>

*Ayman Gamil*  
Ayman Gamil  
Chief Financial Officer

*Selim Chidiac*  
Selim Chidiac  
Chief Executive Officer

*Sabah Al Moayyed*  
Sabah Almoayyed  
Authorized Board Member

The annexed notes from 1 – 16 form an integral part of these Consolidated Financial Statements



# **L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES**

## **(A SAUDI JOINT STOCK COMPANY)**

### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

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#### **1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

L'azurde Company for Jewelry (the "Company", "Parent Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010221531 and 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 of golden wares, jewelry, precious stones and golden alloys in accordance with the ministerial resolution number 1354/S and dated 15 Rabi Thani 1429H corresponding to 21 April 2008. The Group's other permissible activities include distribution of glasses, watches, accessories, pens, perfumes, leather products and export of gold wares, alloys and silver.

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

The Parent Company directly or indirectly owns 100% as at 31 March 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 number 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 number 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 number 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 number 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 number 60716 dated 21 May 2013. The principal activity of LCJ Qatar is trading of gold jewelry items.
- f) **Almujwharat Almasiah LLC ("AA")**  
AA is a Limited Liability Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration number 1010236734 dated 25 Rajab 1428H (corresponding to 8 August 2007). The principal activities of AA are trading of gold and silver products and precious stones.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

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**1. ORGANIZATION AND PRINCIPAL ACTIVITIES (continued)**

**g) Kenaz LLC ("Kenaz")**

Kenaz is a Limited Liability Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration number 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 number 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 number 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. STATEMENT OF COMPLIANCE**

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as endorsed in Kingdom of Saudi Arabia by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and other standards and pronouncements issued by SOCPA. The interim condensed consolidated financial statements should be read in conjunction with the Group's last annual audited consolidated financial statements as at and for the year ended 31 December 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 the operations for the period ended 31 March 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 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.

**Functional and presentational 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 last annual consolidated financial statements.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

**4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the Group in these interim condensed consolidated financial statements for the period ended 31 March 2023 are consistent with those applied by the Group in its consolidated financial statements for the year ended 31 December 2022. There are no new standards issued; however, there are number of amendments to applicable accounting standards which are effective from 1 January 2023 and has been 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.

**5. ACCOUNTS RECEIVABLE**

	<b>31 March 2023 (unaudited) SAR</b>	<b>31 December 2022 (Audited) SAR</b>
Accounts receivable	375,975,617	320,293,725
Provision for expected credit losses	(29,796,903)	(31,675,361)
	<b>346,178,714</b>	<b>288,618,364</b>

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**

	<b>31 March 2023 (Unaudited) SAR</b>	<b>31 December 2022 (Audited) SAR</b>
At beginning and end of the period / year	<b>575,000,000</b>	<b>575,000,000</b>

The authorized and paid-up share capital of the Company as at 31 March 2023 is SAR 575,000,000 (31 December 2022: SAR 575,000,000), divided into 57,500,000 shares (31 December 2022: 57,500,000 shares) with a face value of SAR 10 per share.

**7. ACCOUNTS PAYABLE FOR GOLD**

	<b>31 March 2023 (Unaudited) SAR</b>	<b>31 December 2022 (Audited) SAR</b>
Accounts payable for gold from banks	<b>1,224,014,566</b>	<b>1,143,586,093</b>

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.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

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**8. ZAKAT AND INCOME TAX**

**Zakat for the period**

Zakat charge on the Group for the three-month period ended 31 March 2023 amounted to SAR 1.8 million (three-month period ended 31 March 2022: SAR 3.0 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 delay penalty, relating to a potential income tax liability on one of its previous shareholders. The Company has appealed to General Secretariat for Zakat, Tax and Customs Committees (GSTC). No provision was created for this assessment as the Company believes that this matter relates to previous shareholder.

**Status of income tax assessments related to foreign subsidiaries**

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

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

L'azurde Jewellery LLC ("LJ Oman"), registered in the Sultanate of Oman, has filed tax returns for all years up to 2022 and no assessment has been received yet.

L'azurde Company for Jewellery LLC ("LCJ Qatar"), registered in the State of Qatar, has filed tax returns for all years up to 2022 and the tax assessments for the company have been finalized up to 2015.

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

**9. EARNINGS PER SHARE - BASIC AND DILUTED**

	<b>31 March 2023 (Unaudited)</b>	<b>31 March 2022 (unaudited)</b>
<b>Basic and diluted earnings per share</b>		
Net profit for the year attributable to equity holders of the parent (in SAR)	<b>11,649,194</b>	13,711,886
Weighted average number of ordinary shares during the year	<b>57,500,000</b>	57,500,000
Basic and diluted earnings per share (in SAR)	<b>0.20</b>	0.24

There is no dilution effect on the basic earnings per share of the Group as the Group has no convertible dilutive potential ordinary shares outstanding on 31 March 2023 (31 March 2022: nil).

**L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES  
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**10. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties of the Group include shareholders, Board of Directors, key management personnel and entities of which they are principal owners.

The terms of the transactions with related parties are approved by the Group's management. Transactions with related parties are entered 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:

<u>Nature of transactions</u>		<u>Amount of transactions</u>		<u>Balances</u>	
		<u>March 2023 (Unaudited) SAR</u>	<u>March 2022 (Unaudited) SAR</u>	<u>March 2023 (Unaudited) SAR</u>	<u>December 2022 (Audited) SAR</u>
<b><u>Due to related parties:</u></b>					
Board of Directors	Remuneration	2,519,066	2,530,068	1,380,190	2,724,000
Director	Consultancy	100,625	88,125	100,625	402,500
		<u>2,619,691</u>	<u>2,618,193</u>	<u>1,480,815</u>	<u>3,126,500</u>
<b><u>Due from related parties:</u></b>					
Board of Directors	Reversal of 2021 disapproved remuneration	-	-	(947,349)	(947,349)

**11. SEGMENTAL INFORMATION**

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

<u>Three-month ended 31 March 2023 (Unaudited):</u>	<u>Wholesale SAR</u>	<u>Retail SAR</u>	<u>Total SAR</u>
Revenue - Gold	370,209,449	-	370,209,449
- Operations	72,637,344	53,483,831	126,121,175
Gross profit	51,219,630	27,907,285	79,126,915
<b><u>As at 31 March 2023 (Unaudited):</u></b>			
Net book value of property and equipment	46,575,276	11,620,826	58,196,102
Total assets	1,499,505,427	268,978,346	1,768,483,773
Total liabilities	(1,348,793,304)	(40,906,049)	(1,389,699,353)
<u>Three-month ended 31 March 2022 (Unaudited):</u>			
Revenue - Gold	462,777,146	-	462,777,146
- Operations	92,825,420	58,921,459	151,746,879
Gross profit	67,073,310	32,094,805	99,168,115
<b><u>As at 31 December 2022 (Audited):</u></b>			
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)

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**12. DIVIDENDS**

On 1 Ramadan 1444H (corresponding to 23 March 2023), the Board of Directors proposed a distribution of cash dividends for the year 2022 amounting to SAR 17,250,000 (at SAR 0.30 per share). The proposed dividends are subject to approval of the shareholders in the upcoming Annual General Assembly.

**13. FOREIGN CURRENCY TRANSLATION RESERVE**

During the three-month period ended 31 March 2023, the Egyptian Pound (EGP) recorded an average 19.6% devaluation in exchange rate against the Saudi Riyal. As a result, currency translation adjustment has been recorded in relation to the translation of Group's foreign operations in Arab Republic of Egypt.

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

In accordance with related Shari'a Standard, the Company's management has the following conclusions:

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

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

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

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

**15. SUBSEQUENT EVENTS**

There are no significant subsequent events since the period-end that require additional disclosure in these Interim Condensed Consolidated Financial Statements.

**16. BOARD OF DIRECTORS APPROVAL**

These Interim Condensed Consolidated Financial Statements were approved by the Board of Directors on 28 Shawal 1444H (Corresponding to 18 May 2023).