

**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 NINE-MONTH PERIODS  
ENDED 30 SEPTEMBER 2023**

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

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

---

<b><u>INDEX</u></b>	<b><u>PAGE</u></b>
Independent Auditor's Review Report	1 – 2
Interim Condensed Consolidated Statement of Financial Position	3
Interim Condensed Consolidated Statement of Profit or Loss	4
Interim Condensed Consolidated Statement of Comprehensive Income	5
Interim Condensed Consolidated Statement of Changes in Equity	6
Interim Condensed Consolidated Statement of Cash Flows	7
Notes to the Interim Condensed Consolidated Financial Statements	8 - 14

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

(1 /2)

**TO THE SHAREHOLDERS OF L'AZURDE COMPANY FOR JEWELRY  
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 Company and its subsidiaries (together "the Group") as at 30 September 2023 and the related interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that 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 consolidated 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 related costs and therefore should be capitalized as part of the cost of inventory, and expensed

---

**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 31952

**PKF**Ibrahim Ahmed Al-Bassam  
& Co. Certified Public Accountants**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

(2 / 2)

**TO THE SHAREHOLDERS OF L'AZURDE COMPANY FOR JEWELRY  
JOINT STOCK COMPANY****RIYADH, KINGDOM OF SAUDI ARABIA****OTHER MATTER (CONTINUED)**

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: 29 Rabi' al-Thani 1445H

Corresponding to: 13 November 2023

**RIYADH**Tel: +966 11 206 5333 | P.O Box 86856  
Fax: +966 11 208 6444 | Riyadh 11567**JEDDAH**Tel: +966 12 667 6333 | P.O Box 19051  
Fax: +966 12 667 2804 | Jeddah 21464**AL KHOBAR**Tel: +966 13 858 3373 | P.O Box 4886  
Fax: +966 13 858 3319 | Al Khobar 31962

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2023**

		<b>30 September 2023 (Unaudited) SAR</b>	<b>31 December 2022 (Audited) SAR</b>
	<u>Notes</u>		
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property and equipment		<b>52,791,359</b>	58,785,688
Right-of-use assets		<b>39,306,387</b>	39,450,481
Goodwill and intangible assets		<b>136,032,131</b>	136,551,350
Other non-current assets		<b>1,676,949</b>	1,653,454
<b>Total Non-Current Assets</b>		<b>229,806,826</b>	236,440,973
<b>Current Assets</b>			
Inventories		<b>790,570,943</b>	912,181,881
Accounts receivable	5	<b>333,413,827</b>	288,618,364
Other current assets		<b>216,112,445</b>	132,884,337
Gold margin		<b>62,282,195</b>	53,004,309
Cash and cash equivalents		<b>53,338,618</b>	59,103,028
<b>Total Current Assets</b>		<b>1,455,718,028</b>	1,445,791,919
<b>TOTAL ASSETS</b>		<b>1,685,524,854</b>	1,682,232,892
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		<b>575,000,000</b>	575,000,000
Statutory reserve		<b>27,807,194</b>	27,807,194
Retained earnings		<b>60,058,790</b>	34,820,675
Foreign currency translation reserve		<b>(288,698,613)</b>	(248,176,726)
<b>Total Equity</b>		<b>374,167,371</b>	389,451,143
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Employees' end of service benefits		<b>30,332,696</b>	28,466,702
Lease liabilities		<b>23,564,672</b>	24,192,042
Deferred tax liability		<b>839,233</b>	1,047,303
<b>Total Non-Current Liabilities</b>		<b>54,736,601</b>	53,706,047
<b>Current Liabilities</b>			
Accounts payable for gold	6	<b>1,144,530,777</b>	1,143,586,093
Accounts payable and other current liabilities		<b>63,419,533</b>	60,879,724
Short-term murabaha cash facilities	7	<b>10,572,873</b>	-
Current portion of lease liabilities		<b>13,693,239</b>	9,282,969
Due to related parties	10	<b>779,837</b>	511,698
Dividend payable		<b>659,490</b>	385,719
Zakat and income tax liability	8	<b>22,965,133</b>	24,429,499
<b>Total Current Liabilities</b>		<b>1,256,620,882</b>	1,239,075,702
<b>Total Liabilities</b>		<b>1,311,357,483</b>	1,292,781,749
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,685,524,854</b>	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**

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 PROFIT OR LOSS**  
**FOR THE THREE AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023**  
**(Un-audited)**

		<b>Three-month period ended</b>		<b>Nine-month period ended</b>	
		<b>30 September</b>	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>
		<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>Notes</b>	<b>SAR</b>	<b>SAR</b>	<b>SAR</b>	<b>SAR</b>
<b>REVENUE</b>					
Gold		<b>454,584,301</b>	437,514,898	<b>1,187,367,733</b>	1,207,255,794
Operations		<b>123,251,236</b>	136,423,338	<b>364,636,988</b>	405,252,728
		<b>577,835,537</b>	573,938,236	<b>1,552,004,721</b>	1,612,508,522
<b>COST OF REVENUE</b>					
Gold		<b>(454,584,301)</b>	(437,514,898)	<b>(1,187,367,733)</b>	(1,207,255,794)
Operations		<b>(39,595,227)</b>	(51,228,629)	<b>(131,051,649)</b>	(147,191,755)
<b>GROSS PROFIT</b>		<b>83,656,009</b>	85,194,709	<b>233,585,339</b>	258,060,973
<b>OPERATING EXPENSES</b>					
Selling and marketing expenses		<b>(32,228,035)</b>	(35,602,070)	<b>(96,005,304)</b>	(110,357,174)
General and administrative expenses		<b>(12,519,378)</b>	(12,507,208)	<b>(36,086,490)</b>	(37,811,819)
Gold calibration expenses		<b>(10,918,202)</b>	(10,178,412)	<b>(29,108,825)</b>	(33,900,120)
Provision for expected credit loss	5	<b>(1,440,523)</b>	(402,587)	<b>(2,028,784)</b>	(4,519,967)
<b>OPERATING PROFIT</b>		<b>26,549,871</b>	26,504,432	<b>70,355,936</b>	71,471,893
<b>OTHER INCOME / (EXPENSES)</b>					
Other income / (expenses) – net		<b>11,239,743</b>	(1,806,362)	<b>10,476,989</b>	(502,757)
Finance costs – net		<b>(7,696,825)</b>	(8,384,202)	<b>(24,980,691)</b>	(23,345,404)
<b>PROFIT BEFORE ZAKAT AND INCOME TAX</b>		<b>30,092,789</b>	16,313,868	<b>55,852,234</b>	47,623,732
Zakat	8	<b>(2,011,877)</b>	(2,421,894)	<b>(5,873,769)</b>	(7,415,527)
Income tax	8	<b>(3,497,295)</b>	(4,693,530)	<b>(6,517,922)</b>	(8,790,859)
<b>NET PROFIT FOR THE PERIOD</b>		<b>24,583,617</b>	9,198,444	<b>43,460,543</b>	31,417,346
<b>NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>					
Equity holders of the Parent Company		<b>24,583,617</b>	9,198,444	<b>43,460,543</b>	31,417,346
<b>EARNINGS PER SHARE:</b>					
Basic and diluted	9	<b>0.43</b>	0.16	<b>0.76</b>	0.55

*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 – 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  
COMPREHENSIVE INCOME  
FOR THE THREE AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023  
(Un-audited)**

	<u>Three months period ended</u>		<u>Nine months period ended</u>	
	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</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>
<b>NET PROFIT FOR THE PERIOD</b>	<b>24,583,617</b>	<b>9,198,444</b>	<b>43,460,543</b>	<b>31,417,346</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 (note 11)	(17,951,604)	(6,688,113)	(40,521,887)	(42,025,320)
<b>Other comprehensive loss for the period – net of tax and zakat</b>	<b>(17,951,604)</b>	<b>(6,688,113)</b>	<b>(40,521,887)</b>	<b>(42,025,320)</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>	<b>6,632,013</b>	<b>2,510,331</b>	<b>2,938,656</b>	<b>(10,607,974)</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company	<u>6,632,013</u>	<u>2,510,331</u>	<u>2,938,656</u>	<u>(10,607,974)</u>

*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 – 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 CHANGES IN EQUITY**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

	Share Capital SAR	Statutory Reserve SAR	Retained Earnings SAR	Foreign Currency Translation Reserve SAR	Total SAR
<b><u>NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023</u></b>					
<b>Balance at 1 January 2023 (Audited)</b>	<b>575,000,000</b>	<b>27,807,194</b>	<b>34,820,675</b>	<b>(248,176,726)</b>	<b>389,451,143</b>
Net profit for the period	-	-	43,460,543	-	43,460,543
Other comprehensive loss for the period	-	-	-	(40,521,887)	(40,521,887)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>43,460,543</b>	<b>(40,521,887)</b>	<b>2,938,656</b>
Dividends (note 15)	-	-	(17,250,000)	-	(17,250,000)
Other distribution (note 15)	-	-	(972,428)	-	(972,428)
<b>Balance at 30 September 2023 (Unaudited)</b>	<b>575,000,000</b>	<b>27,807,194</b>	<b>60,058,790</b>	<b>(288,698,613)</b>	<b>374,167,371</b>
<b><u>NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022</u></b>					
<b>Balance at 1 January 2022 (Audited)</b>	<b>575,000,000</b>	<b>24,391,007</b>	<b>19,356,855</b>	<b>(164,552,679)</b>	<b>454,195,183</b>
Net profit for the period	-	-	31,417,346	-	31,417,346
Other comprehensive loss for the period	-	-	-	(42,025,320)	(42,025,320)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>31,417,346</b>	<b>(42,025,320)</b>	<b>(10,607,974)</b>
Dividends (note 15)	-	-	(14,375,000)	-	(14,375,000)
Other distribution (note 15)	-	-	(1,389,476)	-	(1,389,476)
<b>Balance at 30 September 2022 (Unaudited)</b>	<b>575,000,000</b>	<b>24,391,007</b>	<b>35,009,725</b>	<b>(206,577,999)</b>	<b>427,822,733</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 – 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (Un-audited)**

	Note	30 September 2023 SAR	30 September 2022 SAR
<b>OPERATING ACTIVITIES</b>			
Profit before zakat and tax		55,852,234	47,623,732
<b>Adjustments to reconcile profit before zakat and tax to net cash from operating activities:</b>			
Depreciation of property and equipment		8,597,279	10,317,302
Depreciation of right-of-use assets		15,504,211	20,060,191
Amortization of intangible assets		1,880,404	1,838,747
Provision for employees' end of service benefits		2,691,777	2,846,767
Provision for expected credit losses	5	2,028,784	4,519,967
Finance costs – net		24,980,691	22,922,962
(Gain) / loss on sale of property and equipment and intangible assets		(11,512,010)	234,518
Melting costs and charge for slow moving inventory		2,228,492	2,030,735
Foreign currency exchange differences - net		(4,358,012)	(1,460,137)
<b>Operating cashflow before changes in working capital</b>		<b>97,893,850</b>	<b>110,934,784</b>
<b>Net changes in working capital:</b>			
Inventories		107,788,764	34,447,774
Accounts receivable		(52,825,137)	(75,324,226)
Other current assets		(90,549,463)	(66,393,596)
Accounts payable, related parties, dividends and other payables		8,171,287	13,228,657
Account payable for gold		944,684	75,453,572
Gold margin		(9,277,886)	(13,078,714)
<b>Cash generated from operating activities</b>		<b>62,146,099</b>	<b>79,268,251</b>
Employees' end of service benefits paid		(1,150,281)	(4,407,024)
Finance costs paid – accounts payable for gold		(16,710,734)	(15,210,890)
Income taxes paid		(4,506,582)	(7,393,203)
Zakat paid		(7,955,741)	(6,967,095)
<b>Net cash generated from operating activities</b>		<b>31,822,761</b>	<b>45,290,039</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(13,310,611)	(7,182,996)
Proceeds from sale of property and equipment		17,082,801	69,168
Purchase of intangible assets		(1,458,581)	(1,462,204)
Other non-current assets		(23,495)	169,013
<b>Net cash generated from / (used in) investing activities</b>		<b>2,290,114</b>	<b>(8,407,019)</b>
<b>FINANCING ACTIVITIES</b>			
Cash facilities (Tawaruq)		10,000,000	10,000,000
Repayments of lease liabilities		(14,734,272)	(19,658,914)
Finance costs paid		(2,939,243)	(2,588,127)
Dividends and other distribution paid		(18,222,428)	(13,844,520)
Cash margins		-	96,000
<b>Net cash used in financing activities</b>		<b>(25,895,943)</b>	<b>(25,995,561)</b>
<b>Net change in cash and cash equivalents</b>		<b>8,216,932</b>	<b>10,887,459</b>
Cash and cash equivalents at beginning of the period		59,103,028	74,501,484
Exchange differences on cash and cash equivalents		(13,981,342)	(11,068,708)
<b>Cash and cash equivalents at end of the period</b>		<b>53,338,618</b>	<b>74,320,235</b>
<b>Non-cash transactions</b>			
Increase in lease liabilities and right of use assets		19,587,253	18,967,347

*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 – 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2023 are consistent with those applied by the Group in its consolidated financial statements for the year ended 31 December 2022, except for the policy of gold calibration expense, as stated below.

**Gold calibration expense**

Gold calibration expense results from lower purity gold in physical gold collected from wholesale customers at the time of settlement of their gold denominated accounts receivable balances. The gold having low quality is accepted to avoid long collection delays, gold price fluctuation impact, and to improve working capital management. 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 Group depending on market circumstances. The Group measures and records gold calibration expense based on the actual and budgeted quantity of collection together with the estimated gold loss, based on the results of the refining process, and current market gold price at the time of collection of receivables. Accordingly, the gold calibration expense comprises the following:

- Actual cost due to the actual quantity collected during the period.
- Estimated cost due to the actual quantity collected, but not yet melted by the end of the period.
- Estimated cost of the actual quantity collected that is lower than the budgeted / expected monthly collection.

**5. ACCOUNTS RECEIVABLE**

	<b>30 September 2023 (Unaudited) SAR</b>	<b>31 December 2022 (Audited) SAR</b>
Accounts receivable	<b>364,954,957</b>	320,293,725
Provision for expected credit losses	<b>(31,541,130)</b>	(31,675,361)
	<b><u>333,413,827</u></b>	<u>288,618,364</u>

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

At beginning of the period / year	<b>31,675,361</b>	34,724,275
Charge for the period / year	<b>2,028,784</b>	3,754,298
Foreign exchange differences	<b>(2,163,015)</b>	(6,803,212)
At the end of the period / year	<b><u>31,541,130</u></b>	<u>31,675,361</u>

**6. ACCOUNTS PAYABLE FOR GOLD**

	<b>30 September 2023 (Unaudited) SAR</b>	<b>31 December 2022 (Audited) SAR</b>
Accounts payable for gold	<b><u>1,144,530,777</u></b>	<u>1,143,586,093</u>

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (Un-audited)**

**6. ACCOUNTS PAYABLE FOR GOLD (Continued)**

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.

**7. SHORT-TERM MURABAHA FACILITIES**

	<b>30 September 2023 (Unaudited) SAR</b>	<b>31 December 2022 (Audited) SAR</b>
Cash facilities (Tawaruq)	<b>10,572,873</b>	-

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.

**8. ZAKAT AND INCOME TAX**

**Zakat for the period**

Zakat provision for the Group for the nine-month period ended 30 September 2023 amounted to SAR 5.9 million (nine-month period ended 30 September 2022: SAR 7.4 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 received an assessment for the years 2015-2018 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 appealed to the General Secretariat for Zakat, Tax and Customs Committees (GSTC). Subsequent to period end, on 2 October 2023, the Company received the final assessment for the years 2015-2018 with an amount of SAR 3 million which was settled by the concerned previous shareholder on 1 November 2023. No provision was created for this matter as the concerned previous shareholder is committed to cover any additional charges related to this matter.

**Income tax for the period**

Income tax provision for the Group for the nine-month period ended 30 September 2023 amounted to SAR 6.5 million (nine-month period ended 30 September 2022: SAR 8.8 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.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (Un-audited)**

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

	<b>Nine - month period ended</b>	
	<b>30 September 2023</b>	<b>30 September 2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net profit for the period attributable to equity holders of the parent (in SAR)	<b>43,460,543</b>	31,417,346
Weighted average number of ordinary shares during the period	<b>57,500,000</b>	57,500,000
<b>Basic and diluted earnings per share (in SAR)</b>	<b>0.76</b>	0.55

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 September 2023 (30 September 2022: nil).

**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:

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

<b>Nature of transactions</b>		<b>Amount of transactions</b>		<b>Balances</b>	
		<b>30 September 2023</b>	<b>30 September 2022</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
		<b>SAR</b>	<b>SAR</b>	<b>SAR</b>	<b>SAR</b>
<b><u>Due to related parties:</u></b>					
Board of Directors	Remuneration	<b>2,081,288</b>	2,029,791	<b>691,712</b>	1,358,422
Board of Directors	Reversal of 2021 disapproved remuneration	<b>947,349</b>	-	-	(947,349)
Key management personnel	Remuneration	<b>5,499,261</b>	5,499,261	-	-
Director	Services fee	<b>264,375</b>	301,875	<b>88,125</b>	100,625
		<b>8,792,273</b>	7,830,927	<b>779,837</b>	511,698

**11. EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS**

In financial year 2018, L'azurde Company for Jewelry ("LCJ Dubai") (a subsidiary of the Group) provided cash loan to L'azurde Egypt for Jewelry LLC ("LJ Egypt") (another subsidiary of the Group), for a tenure of 5 years. The management initially considered that this loan would be settled as per the agreed terms between the subsidiaries, and accordingly foreign exchange differences were charged in consolidated statement of profit or loss of the Group.

On 1 January 2023, the Group considered that settlement of the loan is not likely to occur in the foreseeable future and accordingly, the loan has been classified as a net investment in foreign operations, as per the requirements of IAS 21 Effects of changes in foreign exchange rates. Accordingly, the foreign exchange differences of this loan were charged to other comprehensive income, effective from 1 January 2023.

Had the reclassification not been made in the consolidated financial statements, the profit for the period would have decreased by SAR 17.9 million and Earnings Per Share would have decreased by SAR 0.32 per share and other comprehensive income would have increased by SAR 17.9 million. There would have been no change in total comprehensive income for the period of the Group.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (Un-audited)**

**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 September 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 5.6 million of commitments in respect of capital expenditures as at 30 September 2023 (31 December 2022: SAR 4.4 million).

The Group has SAR 4.5 million of commitments for gold forward contracts and nil for EUR forward currency contracts as at 30 September 2023 (31 December 2022: SAR 34 million and SAR 9 million respectively).

**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 Director, who do not consider gold revenue when assessing the performance of segments as the Group does not make profits or losses from the value of sold gold as a metal, and the operations revenue better represents revenues of the Group. For management purpose, the Group is organized in the following operating segments:

<b><u>Nine-months ended 30 September 2023</u></b> <b><u>(Unaudited)</u></b>	<b>Wholesale</b> <b>SAR</b>	<b>Retail</b> <b>SAR</b>	<b>Total</b> <b>SAR</b>
Revenues - Operations	204,954,527	159,682,461	364,636,988
Gross profit	146,524,391	87,060,948	233,585,339
<b><u>Three-months ended 30 September 2023</u></b> <b><u>(Unaudited)</u></b>			
Revenues - Operations	69,703,280	53,547,956	123,251,236
Gross profit	51,180,603	32,475,406	83,656,009
<b><u>As at 30 September 2023 (Unaudited)</u></b>			
Net book value of property and equipment	41,199,727	11,591,632	52,791,359
Total assets	1,426,376,319	259,148,535	1,685,524,854
Total liabilities	(1,264,264,771)	(47,092,712)	(1,311,357,483)

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (Un-audited)**

**14. SEGMENTAL INFORMATION (Continued)**

Nine-months ended 30 September 2022 (Unaudited)

Revenues - Operations	235,859,371	169,393,357	405,252,728
Gross profit	167,503,003	90,557,970	258,060,973

Three-months ended 30 September 2022  
(Unaudited)

Revenues - Operations	81,774,638	54,648,700	136,423,338
Gross profit	57,339,015	27,855,694	85,194,709

As at 31 December 2022 (Audited)

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)

**Geographical information**

The Group operates in geographical segments namely, Saudi Arabia and other Gulf countries and Egypt. The following table sets out the Group's revenue disaggregated by geographical market by location:

	<b>For the nine-month period ended</b>	
	<b>30 September 2023 (Unaudited)</b>	<b>30 September 2022 (Unaudited)</b>
GCC Countries	<b>187,180,030</b>	179,154,565
Arab Republic of Egypt	<b>177,456,958</b>	226,098,163
	<b>364,636,988</b>	405,252,728

**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.

One of the Group's subsidiary, ORO Egypt for Manufacturing Precious Metals, declared and paid dividend of SAR 972,428 (2022: SAR 1,389,476).

**16. SUBSEQUENT EVENTS**

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 Rabi' al-Thani 1445H (corresponding to 7 November 2023).