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 2024

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 2024

PKF Al Bassam
Chartered Accountants

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

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 (the "Company") and its subsidiaries (together "the Group) as at 30 June 2024 and the related interim condensed consolidated statement of profit or loss and comprehensive income for the three-month and six-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and a summary of material 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 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.

For Al-Bassam & Co.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

	Notes	**30 June 2024 (Unaudited)**	31 December 2023 (Audited)
		SAR	SAR
ASSETS			
Non-Current Assets			
Property and equipment		**49,944,967**	55,319,601
Right-of-use assets		**35,687,546**	42,365,188
Intangible assets		**25,413,829**	25,914,177
Goodwill		**109,977,851**	109,977,851
Other non-current assets		**1,419,045**	1,706,197
Total Non-Current Assets		**222,443,238**	235,283,014
Current Assets			
Inventories – Gold		**751,464,624**	762,881,350
Inventories – Others		**163,470,762**	170,512,841
Accounts receivable	5	**70,316,307**	52,126,288
Accounts and other receivables – Gold	6	**488,712,236**	370,810,045
Other current assets		**27,421,659**	40,542,101
Gold margins	7	**-**	69,404,945
Forward contract	11A	**4,546,298**	-
Cash and cash equivalents		**45,030,162**	47,767,378
Total Current Assets		**1,550,962,048**	1,514,044,948
TOTAL ASSETS		**1,773,405,286**	1,749,327,962
EQUITY AND LIABILITIES			
Equity			
Share capital		**575,000,000**	575,000,000
Statutory reserve		**30,890,573**	30,890,573
Retained earnings		**58,090,593**	43,337,629
Foreign currency translation reserve		**(358,084,043)**	(288,756,358)
Cash flow hedge reserve	11A	**4,546,298**	-
Total Equity		**310,443,421**	360,471,844
Liabilities			
Non-Current Liabilities			
Employees' end of service benefits		**31,296,888**	31,975,499
Lease liabilities		**19,878,002**	25,758,168
Deferred tax liability		**659,372**	1,024,098
Total Non-Current Liabilities		**51,834,262**	58,757,765
Current Liabilities			
Accounts payable for gold	8	**1,262,350,711**	1,219,666,614
Accounts payable and other current liabilities		**76,034,454**	68,958,589
Current portion of lease liabilities		**14,276,581**	14,252,729
Due to related parties	13	**723,322**	737,776
Dividend payable		**1,028,056**	659,053
Short-term murabaha facilities	9	**39,025,501**	-
Zakat and income tax liability	10	**17,688,978**	25,823,592
Total Current Liabilities		**1,411,127,603**	1,330,098,353
Total Liabilities		**1,462,961,865**	1,388,856,118
TOTAL EQUITY AND LIABILITIES		**1,773,405,286**	1,749,327,962
Contingencies and commitments	15		

Ayman Gamil	Selim Chidiac	Sabah Al Moayyed
Ayman Gamil	**Selim Chidiac**	**Sabah Almoayyed**
Chief Financial Officer	**Chief Executive Officer**	**Authorized Board Member**

The annexed notes from 1 – 19 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 SIX-MONTH PERIODS ENDED 30 JUNE 2024 (Un-audited)

		Three-month period ended		Six-month period ended	
		30 June 2024	30 June 2023	**30 June 2024**	30 June 2023
	Notes	**SAR**	SAR	**SAR**	SAR
REVENUE					
Gold		**417,053,829**	362,573,983	**817,059,390**	732,783,432
Operations		**108,501,334**	115,264,577	**254,025,937**	241,385,752
		525,555,163	477,838,560	**1,071,085,327**	974,169,184
COST OF REVENUE					
Gold		**(417,053,829)**	(362,573,983)	**(817,059,390)**	(732,783,432)
Operations		**(40,997,728)**	(44,462,162)	**(92,839,387)**	(91,456,422)
GROSS PROFIT		**67,503,606**	70,802,415	**161,186,550**	149,929,330
OPERATING EXPENSES					
Selling and marketing expenses		**(29,309,125)**	(31,070,113)	**(64,134,603)**	(63,777,269)
General and administrative expenses		**(11,281,259)**	(11,906,975)	**(24,345,463)**	(23,567,112)
Gold calibration expenses		**(12,341,427)**	(8,867,307)	**(23,634,769)**	(18,190,623)
Provision for expected credit losses		**(2,836,140)**	(274,928)	**(5,262,355)**	(588,261)
Gain on forward contract arranged for expected credit losses	11	**2,787,374**	-	**2,787,374**	-
OPERATING PROFIT		**14,523,029**	18,683,092	**46,596,734**	43,806,065
OTHER INCOME / (EXPENSES)					
Other income / (expenses) – net		**43,208**	972,931	**10,584,148**	(762,754)
Finance costs – net		**(9,875,484)**	(8,962,565)	**(18,362,247)**	(17,283,866)
PROFIT BEFORE ZAKAT AND INCOME TAX		**4,690,753**	10,693,458	**38,818,635**	25,759,445
Zakat	10	**1,729,933**	(2,069,886)	**(1,020,067)**	(3,861,892)
Income tax	10	**(2,401,056)**	(1,395,840)	**(5,795,604)**	(3,020,627)
NET PROFIT FOR THE PERIOD		**4,019,630**	7,227,732	**32,002,964**	18,876,926
NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the Parent Company		**4,019,630**	7,227,732	**32,002,964**	18,876,926
EARNINGS PER SHARE:					
Basic and diluted	12	**0.07**	0.13	**0.56**	0.33

Ayman Gamil	Selim Chidiac	Sabah Al Moayyed
Ayman Gamil	**Selim Chidiac**	**Sabah Almoayyed**
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The annexed notes from 1 – 19 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 SIX-MONTH PERIODS ENDED 30 JUNE 2024
(Un-audited)

	Three-month period ended		**Six-month period ended**	
	30 June 2024	30 June 2023	**30 June 2024**	30 June 2023
	SAR	SAR	**SAR**	SAR
NET PROFIT FOR THE PERIOD	**4,019,630**	7,227,732	**32,002,964**	18,876,926
OTHER COMPREHENSIVE INCOME / (LOSS)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	**(1,509,687)**	(254,366)	**(69,327,685)**	(22,570,283)
Cash flow hedge – Effective portion of change in fair value (note 11A)	**4,546,298**	-	**4,546,298**	-
Other comprehensive income / (loss) for the period – net of tax	**3,036,611**	(254,366)	**(64,781,387)**	(22,570,283)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	**7,056,241**	6,973,366	**(32,778,423)**	(3,693,357)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**7,056,241**	6,973,366	**(32,778,423)**	(3,693,357)

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Ayman Gamil	**Selim Chidiac**	**Sabah Almoayyed**
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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 SIX-MONTH PERIOD ENDED 30 JUNE 2024

	Share Capital	Statutory Reserve	Retained Earnings	Foreign Currency Translation Reserve	Cash Flow Hedge Reserve	Total
	SAR	SAR	SAR	SAR	SAR	SAR
SIX-MONTH PERIOD ENDED 30 JUNE 2024						
Balance at 1 January 2024 (Audited)	**575,000,000**	**30,890,573**	**43,337,629**	**(288,756,358)**	**-**	**360,471,844**
Net profit for the period	-	-	**32,002,964**	-	-	**32,002,964**
Other comprehensive loss for the period	-	-	-	**(69,327,685)**	**4,546,298**	**(64,781,387)**
Total comprehensive loss for the period	-	-	**32,002,964**	**(69,327,685)**	**4,546,298**	**(32,778,423)**
Dividends (note 16)	-	-	**(17,250,000)**	-	-	**(17,250,000)**
Balance at 30 June 2024 (Unaudited)	**575,000,000**	**30,890,573**	**58,090,593**	**(358,084,043)**	**4,546,298**	**310,443,421**
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 16)	-	-	(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

Ayman Gamil
Ayman Gamil
Chief Financial Officer

Selim Chidiac
Selim Chidiac
Chief Executive Officer

Sabah Al Moayyed
Sabah Almoayyed
Authorized Board Member

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024
(Un-audited)

	Note	**30 June 2024 SAR**	30 June 2023 SAR
OPERATING ACTIVITIES			
Profit before zakat and tax		**38,818,635**	25,759,445
Adjustments to reconcile profit before zakat and tax to net cash from operating activities:			
Depreciation of property and equipment		**4,451,744**	5,894,600
Depreciation of right-of-use assets		**9,215,548**	10,255,653
Amortization of intangible assets		**1,541,917**	1,240,219
Provision for employees' end of service benefits		**1,629,597**	1,398,226
Provision for expected credit losses		**5,262,355**	588,261
Finance costs – net		**18,362,247**	17,283,866
Gain on sale of property and equipment and intangible assets		**(181,088)**	(90,873)
Melting costs and charge for slow moving inventory		**1,618,310**	1,680,442
Foreign currency exchange differences – net		**(17,315,239)**	(305,792)
Operating cashflow before changes in working capital		**63,404,026**	63,704,047
Net changes in working capital:			
Inventories – Gold		**11,416,726**	89,612,231
Inventories – Others		**(11,647,857)**	(16,422,503)
Accounts receivable		**(30,703,932)**	(15,458,846)
Accounts and other receivables – Gold		**(123,505,768)**	(132,033,497)
Other current assets		**6,344,717**	(869,210)
Gold margin		**69,404,945**	(2,881,563)
Accounts payable – Gold		**42,684,097**	45,302,829
Accounts payable, related parties, dividends and other payables		**11,909,730**	(2,951,631)
Cash generated from operating activities		**39,306,684**	28,001,857
Employees' end of service benefits paid		**(2,077,760)**	(728,137)
Finance costs paid – gold facilities		**(13,008,254)**	(12,168,554)
Income taxes paid		**(4,502,461)**	(4,526,994)
Zakat paid		**(7,050,477)**	(7,955,741)
Net cash generated from operating activities		**12,667,732**	2,622,431
INVESTING ACTIVITIES			
Purchase of property and equipment		**(6,766,614)**	(9,628,722)
Proceeds from sale of property and equipment		**411,845**	95,663
Purchase of intangible assets		**(1,654,699)**	(402,694)
Other non-current assets		**287,152**	(16,209)
Net cash used in investing activities		**(7,722,316)**	(9,951,962)
FINANCING ACTIVITIES			
Short term murabaha facilities		**39,000,000**	29,000,000
Repayments of lease liabilities		**(10,444,079)**	(11,579,312)
Dividends paid		**(17,250,000)**	-
Finance costs paid – cash facilities		**(723,242)**	(2,112,959)
Net cash generated from financing activities		**10,582,679**	15,307,729
Net change in cash and cash equivalents		**15,528,095**	7,978,198
Cash and cash equivalents at beginning of the period		**47,767,378**	59,103,028
Foreign currency exchange differences on cash and cash equivalents		**(18,265,311)**	591,169
Cash and cash equivalents at end of the period		**45,030,162**	67,672,395
Non-cash transactions:			
Increase in lease liabilities and right of use assets		**8,101,482**	16,616,256
Accounts receivable write off		**293,274**	-
Accounts and other receivables – Gold write off		**248,572**	-

Ayman Gamil	Selim Chidiac	Sabah Al Moayyed
Ayman Gamil	**Selim Chidiac**	**Sabah Almoayyed**
Chief Financial Officer	**Chief Executive Officer**	**Authorized Board Member**

The annexed notes from 1 – 19 form an integral part of these Interim Condensed Consolidated Financial Statements

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 2024 (31 December 2023: 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.

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 2023. 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 2023. In addition, the results of operations for the period ended 30 June 2024 do not necessarily represent an indicator for the results of the operations for the year ending 31 December 2024.

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 2023.

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 2024 and explained in Group consolidated financial statements for the year ended 31 December 2023. The Group's management believes that the new standards or amendments effective from 1 January 2024 do not have a material effect on the Group's interim condensed consolidated financial statements.

4. MATERIAL ACCOUNTING POLICIES

The accounting policies applied by the Group in these interim condensed consolidated financial statements for the period ended 30 June 2024 are consistent with those applied by the Group in its consolidated financial statements for the year ended 31 December 2023, except for the accounting policies stated below.

Derivative financial instruments and hedge accounting

Derivative financial instruments, including forward rate agreements are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value in the statement of financial position with transaction costs recognized in the statement of income. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices.

As per Group policy, derivative financial instruments are not used for trading purposes.

Hedge Accounting

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships to manage exposures to gold price risk arising from highly probable forecast transactions and firm commitments. In order to manage particular risk, the Group applies hedge accounting for transactions that meet specific criteria.

For the purpose of hedge accounting, hedges are classified into two categories:

a) fair value hedges which hedge the exposure to changes in the fair value of a recognized asset or liability, (or assets or liabilities in case of portfolio hedging), or an unrecognized firm commitment or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the reported net gain or loss; and
b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or to a highly probable forecasted transaction that will affect the reported net gain or loss.

In order to qualify for hedge accounting, the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objective and strategy are documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an on-going basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the income statement in 'Net trading income'. For situations where the hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the statement of income.

4. MATERIAL ACCOUNTING POLICIES (continued)

Cash flow hedges
In case a derivative financial instrument is designated as a qualifying cash flow hedging instrument, it hedges against the variability in cash flows attributable to a particular risk associated with recognized asset or a liability or a highly probable forecast transaction that could affect the statement of income, the portion of the gain or loss on the hedging instrument that is determined to be an effective portion is recognized directly in other comprehensive income and the ineffective portion, if any, is recognized in the statement of income. For cash flow hedges affecting future transactions, the gains or losses recognized in cash flow hedge reserve, are transferred to the statement of income in the same period in which the hedged item affects the statement of income. However, if the Group expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it shall immediately reclassify the unrecoverable amount to the statement of income.

Where the hedged forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, then at the time such asset or liability is recognized the associated gains or losses that had previously been recognized directly in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of such asset or liability. When the hedging instrument is sold or expired, or terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur, or the Group revokes the designation, then hedge accounting is discontinued prospectively. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognized in other comprehensive income is immediately transferred from equity to statement of income.

5. ACCOUNTS RECEIVABLE

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
	SAR	SAR
Accounts receivable – Gross	**79,446,207**	65,342,720
Provision for expected credit losses	**(9,129,900)**	(13,216,432)
Accounts receivable – net	**70,316,307**	52,126,288

Accounts receivable represent the value of the labor service charges and other additions, of the jewelry sold to Group's wholesale customers but not settled by the end of the reporting period.

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

At beginning of the period / year	**13,216,432**	18,406,559
Reversal for the period / year	**(1,581,229)**	(3,360,220)
Write off during the period / year	**(293,274)**	-
Foreign exchange differences	**(2,212,029)**	(1,829,907)
At the end of the period / year	**9,129,900**	13,216,432

6. ACCOUNTS AND OTHER RECEIVABLES - GOLD

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
	SAR	SAR
Accounts and other receivables – Gold – Gross	**510,886,087**	387,380,319
Provision for expected credit losses	**(22,173,851)**	(16,570,274)
Accounts and other receivables – Gold – Net	**488,712,236**	370,810,045

Accounts and other receivables – Gold represent the fair value of the gold sold to Group's wholesale customers but not settled by the end of the reporting period.

6. ACCOUNTS AND OTHER RECEIVABLES – GOLD (continued)

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

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
	SAR	SAR
At beginning of the period / year	**16,570,274**	13,268,802
Charge for the period / year	**6,843,582**	3,573,259
Write off during the period / year	**(248,572)**	-
Foreign exchange differences	**(991,433)**	(271,787)
At the end of the period / year	**22,173,851**	16,570,274

7. GOLD MARGINS

Gold margins represent the gold provided as margin against the Accounts payable – Gold. During the period, the gold margin is settled with the bank and no longer needed.

8. ACCOUNTS PAYABLE FOR GOLD

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
	SAR	SAR
Accounts payable for gold	**1,262,350,711**	1,219,666,614

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 (2023: 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.

9. SHORT-TERM MURABAHA FACILITIES

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
	SAR	SAR
Short term murabaha facilities	**39,025,501**	-

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.

10. ZAKAT AND INCOME TAX

Zakat for the period
Zakat provision for the Group for the six-month period ended 30 June 2024 amounted to SAR 1.0 million (six-month period ended 30 June 2023: SAR 3.9 million).

Status of zakat assessments
The Company has filed the zakat returns for all the years up to 2023 and obtained respective zakat certificates.

The zakat assessments for the years 2015-2018 and for the years 2021 and 2022 have been finalized by ZATCA without any additional liability on the Company.

Income tax for the period
Income tax provision for the Group for the six-month period ended 30 June 2024 amounted to SAR 5.8 million (six-month period ended 30 June 2023: SAR 3.0 million).

10. ZAKAT AND INCOME TAX (continued)

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.

11. GAIN ON FORWARD CONTRACT ARRANGED FOR EXPECTED CREDIT LOSSES

The Group has entered into a forward contract with a bank to hedge against potential increases in expected credit losses (ECL) due to rising gold prices. The contract covers the group to purchase 1,833 ounces of gold on 28 June 2024, 30 September 2024 and 31 December 2024. The Group has realized a gain of SAR 2.8 million for the period ended 30 June 2024 (period ended 30 June 2023: nil). This gain offsets the increase in expected credit losses due to the increase in gold prices.

11.A. CASH FLOW HEDGE RESERVE

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
	SAR	SAR
Balance at beginning of the period / year	**-**	-
Net change in fair value during the period / year	**4,546,298**	-
Balance at end of the period / year	**4,546,298**	-

The table below sets out the positive and negative fair values of derivative financial instrument together with its notional amount.

	30 June 2024 (Unaudited)			31 December 2023 (Audited)		
	Positive fair value	**Negative fair value**	**Notional amount**	Positive fair value	Negative fair value	Notional amount
Forward contract	**4,546,298**	**-**	**28,382,332**	-	-	-

The notional amount provides an indication of the value of the transaction outstanding at the end of the period and will not necessarily result in future cash flows.

12. EARNINGS PER SHARE - BASIC AND DILUTED

	Six-month period ended	
	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Net profit for the period attributable to equity holders of the parent (in SAR)	**32,002,964**	18,876,926
Weighted average number of ordinary shares during the period	**57,500,000**	57,500,000
Basic and diluted earnings per share (in SAR)	**0.56**	0.33

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 2024 (30 June 2023: nil).

13. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Group include shareholders, the 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 at end of the period / year are as follows:

	Nature of transactions	Amount of transactions		Balances	
		30 June 2024 (Unaudited) SAR	30 June 2023 (Unaudited) SAR	**30 June 2024 (Unaudited) SAR**	31 December 2023 (Audited) SAR
Due to related parties:					
Board of Directors	Remuneration	**1,216,329**	1,364,575	**723,322**	649,651
Director	Services fee	**24,144**	201,250	**-**	88,125
Key management personnel	Remuneration	**3,807,034**	3,666,174	**-**	-
Board of Directors	Reversal of 2021 disapproved remuneration	**-**	(947,349)	**-**	-
		5,047,507	4,284,650	**723,322**	737,776

14. 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).

15. CONTINGENCIES AND COMMITMENTS

Contingencies:

The Group provided letters of guarantee amounting to SAR 7.1 million as at 30 June 2024 (31 December 2023: SAR 7.4 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 2023: SAR 420 million) as security against procured gold.

Commitments:

The Group has SAR 0.9 million of commitments in respect of capital expenditures mainly relating to construction of retail branches as at 30 June 2024 (31 December 2023: SAR 2.7 million).

16. DIVIDENDS

On 13 Dhul Qadah 1445H (corresponding to 21 May 2024), the Extraordinary General Assembly approved distribution of cash dividends for the year 2023 amounting to SAR 17,250,000 (at SAR 0.3 per share) and the dividend was paid to shareholders on 10 June 2024.

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.

17. SUBSEQUENT EVENTS

There are no significant subsequent events since the period-end that require additional disclosure in these interim condensed consolidated financial statements.

18. 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:

Six-months ended 30 June 2024 (Unaudited)	**Wholesale SAR**	**Retail SAR**	**Total SAR**
Revenues – Operations	**131,408,155**	**122,617,782**	**254,025,937**
Gross profit	**91,672,580**	**69,513,970**	**161,186,550**
Three-months ended 30 June 2024 (Unaudited)			
Revenues – Operations	**53,649,381**	**54,851,953**	**108,501,334**
Gross profit	**36,695,736**	**30,807,870**	**67,503,606**
As at 30 June 2024 (Unaudited)			
Net book value of property and equipment	**34,286,786**	**15,658,181**	**49,944,967**
Total assets	**1,482,645,416**	**290,759,870**	**1,773,405,286**
Total liabilities	**(1,399,503,955)**	**(63,457,910)**	**(1,462,961,865)**
Six-months ended 30 June 2023 (Unaudited)			
Revenues – Operations	135,251,247	106,134,505	241,385,752
Gross profit	95,343,789	54,585,541	149,929,330
Three-months ended 30 June 2023 (Unaudited)			
Revenues – Operations	62,613,903	52,650,674	115,264,577
Gross profit	44,165,484	26,636,931	70,802,415
As at 31 December 2023 (Audited)			
Net book value of property and equipment	41,042,482	14,277,119	55,319,601
Total assets	1,478,108,125	271,219,837	1,749,327,962
Total liabilities	(1,338,130,401)	(50,725,717)	(1,388,856,118)

18. SEGMENTAL INFORMATION (continued)

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:

	For the six-month period ended	
	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Kingdom of Saudi Arabia	**136,374,120**	132,412,321
Arab Republic of Egypt	**117,651,817**	108,973,431
	254,025,937	241,385,752

19. BOARD OF DIRECTORS APPROVAL

These Interim Condensed Consolidated Financial Statements were approved by the Board of Directors on 4 Safar 1446H (corresponding to 8 August 2024).