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

REVIEWED INTERIM CONDENSED
CONSOLIDATED FINANCIAL
STATEMENTS AND AUDITORS'
REPORT
FOR THE THREE MONTHS PERIOD
ENDED 31 MARCH 2017

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017

Aldar Audit Bureau
Abdullah Al Basri & Co.
Member Firm of Grant Thornton International Ltd
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Certified Accountants
Professional Partnership Co.
Lic. No. 323/11/36
C.R. 1010443881
C.C. 15070

Independent auditors' review report
To the shareholders of L'azurde Group for Jewelry and Its Subsidiaries
(A Saudi Joint Stock Group)
Riyadh, Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **L'azurde Company for Jewelry and Its Subsidiaries (a Saudi joint stock Company) ("the Group")** as of 31 March 2017 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the three months period then ended and the related notes (1) to (19) which form an integral part of these interim condensed financial information. Management is responsible for the preparation and presentation of this interim condensed financial information 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 this interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with 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 financial information 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 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

Other Matters

The consolidated financial statements of the Group for the year ended 31 December 2016, on which a predecessor auditor has issued an unqualified audit opinion dated 15 Jumad Thani 1438H (corresponding to 14 March 2017G), prepared under Accounting Standards Generally Accepted in the Kingdom of Saudi Arabia. However, as part of our review of the accompanying interim condensed consolidated financial statements, we have performed certain procedures on the adjustments to these comparative figures required for presentation under International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants.

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Corresponding to 4 May 2017 G

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 MARCH 2017

	Notes	31 March 2017 (Unaudited) SAR	31 December 2016 (Audited) SAR	1 January 2016 (Audited) SAR
ASSETS				
Non-Current Assets				
Property and equipment	7	69,631,848	68,154,417	75,037,018
Intangible assets		523,312	583,019	160,588
Other non-current assets		823,461	787,822	846,614
Total Non-Current Assets		70,978,621	69,525,258	76,044,220
Current Assets				
Inventories		693,046,592	805,705,663	975,644,876
Accounts receivable		625,173,200	424,993,112	389,908,346
Other current assets		29,816,325	29,318,704	35,734,225
Cash margin deposits		150,562,994	170,955,709	116,672,019
Cash and cash equivalents		39,303,889	38,518,470	173,438,279
Total Current Assets		1,537,903,000	1,469,491,658	1,691,397,745
TOTAL ASSETS		1,608,881,621	1,539,016,916	1,767,441,965
EQUITY AND LIABILITIES				
Equity				
Share capital	8	430,000,000	430,000,000	430,000,000
Statutory reserve		17,265,738	17,265,738	10,056,720
Retained earnings		151,743,913	131,129,053	90,126,001
Foreign currency translation reserve		(177,236,647)	(175,923,524)	(38,891,595)
Total Equity		421,773,004	402,471,267	491,291,126
Liabilities				
Non-Current Liabilities				
Employees' end of service benefits	9	31,177,439	32,289,166	31,129,252
Deferred tax liability		554,760	557,998	991,046
Total Non-Current Liabilities		31,732,199	32,847,164	32,120,298
Current Liabilities				
Accounts payable and other current liabilities		46,308,527	60,575,919	111,213,227
Short-term loans	10	1,081,969,049	1,020,571,468	1,114,782,660
Zakat and income tax liability		27,098,842	22,551,098	18,034,654
Total Current Liabilities		1,155,376,418	1,103,698,485	1,244,030,541
Total Liabilities		1,187,108,617	1,136,545,649	1,276,150,839
TOTAL EQUITY AND LIABILITIES		1,608,881,621	1,539,016,916	1,767,441,965

Ayman Gamil	**Selim Chidiac**	**Wassim M Al Khatib**
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 (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017

	Notes	31 March 2017 (Unaudited) SAR	31 March 2016 (Unaudited) SAR
REVENUE			
Gold		482,781,938	705,074,918
Operations		121,906,587	178,471,710
		604,688,525	883,546,628
COST OF REVENUE			
Gold		(482,781,938)	(705,493,354)
Operations		(47,756,553)	(60,725,021)
GROSS PROFIT		74,150,034	117,328,253
OPERATING EXPENSES			
Selling and marketing expenses		(30,422,632)	(50,281,841)
General and administration expenses		(8,910,363)	(14,171,708)
OPERATING INCOME		34,817,039	52,874,704
OTHER INCOME / (EXPENSES)			
Other income – net	11	387,474	13,558,068
Finance charges – net		(8,207,957)	(10,288,626)
NET PROFIT BEFORE ZAKAT AND TAXES		26,996,556	56,144,146
Zakat	12	(4,447,548)	(4,239,354)
Income tax	12	(560,999)	(897,460)
NET PROFIT FOR THE PERIOD		21,988,009	51,007,332
NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO			
Equity holders of the parent		21,988,009	51,007,332
EARNINGS PER SHARE			
Basic	13	0.51	1.19
Diluted	13	0.51	1.19

Ayman Gamil	**Selim Chidiac**	**Wassim M Al Khatib**
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 COMPREHENSIVE INCOME (UNAUDITED) FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017

	31 March 2017 (Unaudited) SAR	31 March 2016 (Unaudited) SAR
NET PROFIT FOR THE PERIOD	21,988,009	51,007,332
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss		
Effect of re-measurement on employees' end of service benefits	471,281	(5,217,658)
Items that will be reclassified subsequently to profit or Loss		
Exchange differences on translating foreign operations	(1,313,123)	(27,849,336)
Other comprehensive income for the period – net of tax	(841,842)	(33,066,994)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	21,146,167	17,940,338
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO		
Equity holders of the parent	21,146,167	17,940,338

Ayman Gamil	Selim Chidiac	Wassim M Al Khatib
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 CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017**

	Share Capital SAR	Statutory Reserve SAR	Retained Earnings SAR	Foreign Currency Translation Reserve SAR	Total SAR
THREE MONTHS PERIOD ENDED 31 MARCH 2016					
Balance at 1 January 2016 (Audited)	430,000,000	10,056,720	89,855,476	(38,891,595)	491,020,601
Impact of adoption of International Financial Reporting Standards (note 19)	-	-	270,525	-	270,525
Balance at 1 January 2016 (Restated)	430,000,000	10,056,720	90,126,001	(38,891,595)	491,291,126
Net profit for the period	-	-	51,007,332	-	51,007,332
Other comprehensive income for the period	-	-	(5,217,658)	(27,849,336)	(33,066,994)
Total comprehensive income for the period	-	-	45,789,674	(27,849,336)	17,940,338
Dividends	-	-	(23,126,516)	-	(23,126,516)
BALANCE AT 31 MARCH 2016 (UNAUDITED)	430,000,000	10,056,720	112,789,159	(66,740,931)	486,104,948
THREE MONTHS PERIOD ENDED 31 MARCH 2017					
Balance at 1 January 2017 (Audited)	430,000,000	17,265,738	131,610,117	(175,822,294)	403,053,561
Impact of adoption of International Financial Reporting Standards (note 19)	-	-	(481,064)	(101,230)	(582,294)
Balance at 1 January 2017 (Restated)	430,000,000	17,265,738	131,129,053	(175,923,524)	402,471,267
Net profit for the period	-	-	21,988,009	-	21,988,009
Other comprehensive income for the period	-	-	471,281	(1,313,123)	(841,842)
Total comprehensive income for the period	-	-	22,459,290	(1,313,123)	21,146,167
Dividends	-	-	(1,844,430)	-	(1,844,430)
BALANCE AT 31 MARCH 2017 (UNAUDITED)	430,000,000	17,265,738	151,743,913	(177,236,647)	421,773,004

Ayman Gamil	Selim Chidiac	Wassim M Al Khatib
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 CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017

	31 March 2017 (Unaudited) SAR	31 March 2016 (Unaudited) SAR
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before zakat and taxes	26,996,556	56,144,146
Adjustments to reconcile net profit before zakat and taxes to net cash from operating activities:		
Depreciation on property and equipment	2,562,468	2,646,337
Amortization of intangible assets	60,180	47,902
Provision for employees' end of service benefits	871,301	1,286,860
Provision for doubtful receivables	173,236	2,610,600
Finance charges	8,207,957	10,288,626
Gain on sale of property and equipment	(99,708)	(114,961)
Melting cost and charge for slow moving inventory	(1,262,992)	3,838,212
Foreign currency exchange differences - net	(890,436)	(14,532,993)
Operating income before changes in working capital	36,618,562	62,214,729
Net changes in working capital:		
Accounts receivable	(198,815,837)	(412,792,906)
Inventories	112,103,163	7,861,968
Other current assets	(557,138)	454,600
Accounts payable and other current liabilities	(13,178,623)	9,713,965
Short term gold loans	61,397,581	346,015,185
Cash margin deposits	20,392,715	(69,094,673)
Cash flows generated from / (used in) operating activities	17,960,423	(55,627,132)
Employees' end of service benefits paid	(1,508,871)	(687,900)
Finance charges paid	(11,068,243)	(7,186,893)
Income taxes paid	(446,802)	(561,492)
Zakat paid	-	(12,869,911)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	4,936,507	(76,933,328)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,174,484)	(7,896,552)
Proceeds from sale of property and equipment	1,098,808	1,200,331
Purchase of intangible assets	(520)	(47,740)
Other non-current assets	(35,639)	(38,290)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(4,111,835)	(6,782,251)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term cash loans	-	26,989,602
Dividends paid	-	(55,000,000)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	-	(28,010,398)
NET CHANGE IN CASH AND CASH EQUIVALENTS	824,672	(111,725,977)
Cash and cash equivalents at beginning of period	38,518,470	173,438,279
Exchange differences on cash and cash equivalents	(39,253)	(1,275,808)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	39,303,889	60,436,494

Ayman Gamil	**Selim Chidiac**	**Wassim M Al Khatib**
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") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010221531 and dated 26 Jumad Thani 1427H (corresponding to 22 July 2006).

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 numbered 1354/S and dated 21 April 2008 corresponding to 15 Rabi Thani 1429H. 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 and the State of Qatar. All these branches and subsidiaries are engaged in the trading of jewelry, gold and silver products.

The Parent Company directly owns 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 Ultimate Holding Company of the Group is L'azurde Holding LLC based in the Kingdom of Saudi Arabia.

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

a) **ORO Egypt Company ("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 production and trading.

b) **L'azurde Company for Jewellery LLC ("LCJ Egypt")**
LCJ 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 LCJ Egypt are gold production and trading.

c) **L'azurde Company for Jewelry LLC ("LCJ Dubai")**
LCJ Dubai is a Limited Liability Company incorporated in the United Arab Emirates (Dubai) under Commercial Registration no. 620369 dated 10 November 2008. The principal activity of LCJ Dubai is trading of gold 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 19 October 2003. The principal activity of LJ Abu Dhabi is trading of gold 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 items.

f) **Almujwharat Almasiah LLC ("AA")**
AA is a Limited Liability Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration no. 1010236734 dated 25 Rajab 1428H (corresponding to 8 August 2007). The principal activities of AA are trading of sunglasses and silver products.

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 watches and perfumes.

2. STATEMENT OF COMPLIANCE

The interim condensed consolidated financial statements include interim condensed consolidated statement of financial position, interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows, and notes to the interim condensed consolidated financial statements. 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. These interim condensed consolidated financial statements are the Group's first interim condensed financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") and other standards and pronouncements issued by SOCPA. The Group's date of transition to IFRS is 1 January 2016. The requirements of IFRS 1 "First-time Adoption of International Financial Reporting Standards" have been applied in preparing these financial statements. Refer to note 19 which discloses the impact of adopting IFRS on these interim condensed consolidated financial statements. These interim condensed financial statements do not include all of information required for full set of annual financial statements.

The Capital Market Authority (CMA) announced the Board of Commissioners resolution dated 16 October 2016 (corresponding to 15 Muharram 1438H), which obligates the listed entities to apply the cost model to measure the property and equipment, investment properties and intangible assets upon adopting the IFRSs for three years period starting from the IFRSs adoption date, while continuing to abide by the IFRSs, that are endorsed in the Kingdom of Saudi Arabia, disclosure requirements, which encourage the disclosure of the fair value within the notes to the financial statements. The Group has complied with the requirements in these financial statements.

The interim condensed consolidated financial statements for the period ended 31 March 2017 were approved and authorized for issue by the Board of Directors on 8'Shaban 1438H (corresponding to 4 May 2017).

3. BASIS OF PREPARATION

Basis of measurement
These interim condensed consolidated financial statements have been prepared under historical cost basis as explained in the relevant accounting policies and measurement basis summarized below, except for employees' end of service benefits provision which has been valued by an independent professional actuary.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Basis of consolidation
The Group's financial statements consolidate those of the Parent Company and all its subsidiaries at each reporting date. All subsidiaries have year-end of 31 December.

3. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

A subsidiary Company is consolidated from the date on which the Group obtains control until the date that control ceases. The interim condensed consolidated financial statements are prepared on the basis of the individual financial statements of the Group and the financial statements of its subsidiaries.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the period / year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests, if material.

Business combinations
The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Functional and presentation currency
The interim condensed consolidated financial statements are presented in Saudi Riyal (SAR), which is also the functional and presentation currency of the Parent Company.

Foreign operations
In the Group's interim condensed consolidated financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the SAR are translated into SAR upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities of foreign operations have been translated into SAR at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated into SAR at the closing rate. Income and expenses of foreign operations have been translated into SAR at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognized in the currency translation reserve in equity.

On disposal of a foreign operation, the related cumulative translation differences recognized in equity are reclassified to profit or loss and are recognized as part of the gain or loss on disposal.

3. BASIS OF PREPARATION (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

5. SIGNIFICANT ACCOUNTING POLICIES

Property and equipment
Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of annual reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Leasehold improvements are depreciated on a straight-line basis over the shorter of the useful life of the improvements, or the term of the lease.

Expenditure for repair and maintenance are charged to the interim condensed consolidated statement of profit or loss as incurred with the exception of costs that extend the useful life of the asset or increase its value, which are then capitalized.

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of property and equipment are recognized in the interim condensed consolidated statement of profit or loss.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of assets as follows:

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Asset Category	Life in years
Buildings	50
Machinery and equipment	10
Furniture and fixtures	6 – 7
Motor vehicles	4
Office equipment	7
Tools, dies and other assets	4 – 7
Leasehold improvements	Shorter of useful life or lease term

Capital work in progress (CWIP)
Capital work in progress is stated at cost less any impairment losses. All expenditures incurred during installation and construction period, in connection with specific assets, are carried to CWIP. The cost of CWIP is transferred to the appropriate category of property and equipment when it is ready for use. The cost of CWIP comprises purchase price and costs directly and indirectly attributable to bringing the CWIP for its intended use.

Intangible assets
An intangible asset is initially recognized at cost which is equal to the fair value of consideration paid at the time of acquisition of the asset.

The Group applies the following estimated useful lives for amortization of intangible assets:

Asset Category	Life in years
Franchise license fee	5
Computer software	2

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in interim condensed consolidated statement of profit or loss when the asset is derecognized.

Accounts receivable
Accounts receivable are stated at original invoice amount or gold quantity less a provision for any uncollectible amounts. When collected accounts receivables are settled in cash or gold, an estimate for doubtful debts is made when collection of the remaining amount is no longer probable. Bad debts are written off when the related receivables are considered uncollectible.

Receivables to be settled in gold are re-measured at each reporting period and any difference in the carrying amount is to be recognized in the interim condensed consolidated statement of profit or loss.

Inventories
Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs of other inventory items are determined as follows:

- Raw material, consumables and other manufacturing material are determined at purchase costs using the First-in-First-Out (FIFO) method.
- Work in progress and finished goods are determined at cost of direct material, labor and overheads based on a normal level of activity.
- Re-sellable goods are determined on specific identification basis.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value. Cash and cash equivalents in the interim condensed consolidated statement of financial position comprise cash on hand and bank account balances and are initially and subsequently recorded at fair value.

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks, all of which have maturities of 90 days or less and are available for use by the Group unless otherwise stated.

Financial Instruments

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

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

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.
For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including trade and other receivables, bank balances and cash are measured at amortized cost using the effective interest method, less any impairment loss which is recognized in profit or loss.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period granted, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

De-recognition of financial assets
The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

De-recognition of financial assets (continued)

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On de-recognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments
Classification as debt or equity
Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities
Other financial liabilities (including borrowings and trade and other payables) are initially and subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial liabilities and equity instruments (continued)

De-recognition of financial liabilities
The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Accounts payable and accruals
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions
Provisions are recognized when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. Provisions are reviewed at each reporting date and adjust to reflect current best estimate.

Contingent liabilities
A contingent liability is disclosed when the Group has a possible obligation as a result of past event, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Group; or the Group has a present legal or constructive obligation that arises from past events, but is not probable that an outflow of the resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Employees' end of service benefits
The Group provides end of service compensation to its employees in accordance with the provisions of the Labor Law applicable in the Kingdom of Saudi Arabia. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Provision is made annually based on valuation done by an independent professional actuary, in accordance with the requirements of IAS 19 "Employee Benefits" using Projected Unit Credit Method. Last valuation was carried out in 31 March 2017.

All past service costs are recognized as an expense immediately. All actuarial gains and losses on defined benefit obligation are recognized in interim condensed consolidated statement of comprehensive income.

Zakat and taxes
Zakat is provided for on behalf of the Group and its effectively wholly owned subsidiaries in accordance with the Saudi Arabian fiscal regulations. The foreign subsidiaries provide for income tax liabilities, if any, in accordance with tax regulations of the country in which they operate. Zakat and income tax provisions are charged to the interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income.

Deferred income tax is provided for foreign subsidiaries subject to tax, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on laws that have been enacted in the respective countries at the reporting date.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends
Final dividends are recognized as a liability at the time of their approval by the General Assembly. Interim dividends are recorded when approved by the Board of Directors.

Revenue
Revenue from the sale of gold is recognized when the significant risks and rewards of ownership have passed to the buyer; it is probable that economic benefits associated with the transaction will flow to the Group; the sale price can be measured reliably; the Group has no significant continuing involvement; and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Based on the above, sales are recognized when goods are invoiced (at the then gold market prices) and delivered to customers after deducting any related discounts.

Other income is recognized when earned.

Foreign currency transactions
Transactions in foreign currencies are translated into Saudi Riyals at the relevant exchange rates prevailing at the time of the respective transactions. Assets and liabilities in foreign currency at the interim condensed consolidated statement of financial position date are translated into Saudi Riyals using the exchange rates prevailing at that date. Realized and unrealized exchange differences on foreign currencies are recognized in the interim condensed consolidated statement of profit or loss.

Translation of foreign operations
Financial statements of the foreign subsidiaries are translated into Saudi Riyals using the exchange rates at each interim condensed consolidated statement of financial position date, for assets and liabilities, and the average exchange rates for each period for revenue, expenses, gains and losses. Components of equity, other than retained earnings, are translated at the rates ruling at the date of occurrence of each component. Foreign currency translation adjustments, if material, are recorded in interim condensed consolidated statement of comprehensive income as a separate component of the shareholders' equity.

Expenses
Selling and marketing expenses are those which specifically relate to marketing and promotional activities. All other expenses are classified as general and administration expenses and cost of services.

Operating leases
Operating leases payments are recognized as expense in the interim condensed consolidated statement of profit or loss on a straight-line basis over the lease term.

Gold revaluation
Transactions denominated in gold are recorded in Saudi Riyals at the relevant market rates prevailing at the time of the respective transactions. Asset and liability balances denominated in gold, except for gold inventory, are revalued at the market price ruling at the interim condensed consolidated statement of financial position date. All realized gains and losses and unrealized gains and losses from revaluation of gold related items are recognized in the interim condensed consolidated statement of profit or loss.

Basic and diluted earnings per share
The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the net income or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the net income or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of dilutive potential ordinary shares, if any.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Segmental reporting
A segment is a distinguishable component of an entity that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

6. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

The Group has not yet applied the following new and revised IFRSs that have been issued and relevant to the Group but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 9 "Financial Instruments" (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018
Amendments to IFRS 7 "Financial Instruments": Disclosures relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 "Financial Instruments": Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied
IFRS 15 "Revenue from Contracts with Customers"	1 January 2018
IFRS 16 "Leases"	1 January 2019

Application of new and revised International Financial Reporting Standards (IFRSs)
Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Group's consolidated financial statements for the annual year beginning 1 January 2018. IFRS 16 will either be adopted for the annual year beginning 1 January 2018 or 1 January 2019. The application of IFRS 9, IFRS 15 and IFRS 16 may have a significant impact on amounts reported and disclosures made in the Group's financial statements in respect of revenue from contracts with customers and the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed review.

7. PROPERTY AND EQUIPMENT

Details of additions and disposals / transfers in property and equipment during the period are as follows:

	31 March 2017 (Unaudited) SAR	31 March 2016 (Unaudited) SAR
Additions – at cost		
Operating property and equipment	**2,472,340**	7,896,522
Capital work in progress	**2,702,144**	-
	5,174,484	7,896,522
Disposals / transfers		
Operating property and equipment - at net book value	**(120,726)**	(2,450,883)
Capital work in progress - at cost	**(958,905)**	-

8. SHARE CAPITAL

The authorized and paid up share capital of the Group as at 31 March 2017 is SAR 430,000,000 (31 December 2016: SAR 430,000,000 and 1 January 2016: SAR 430,000,000), divided into 43,000,000 shares as at 31 March 2017 (31 December 2016: 43,000,000 shares and 1 January 2016: 43,000,000) with a face value of SAR 10 per share.

	31 March 2017 (Unaudited)	31 December 2016 (Audited)
Shares issued and fully paid:		
Beginning of the year	**43,000,000**	43,000,000
Issued during the period / year	-	-
Total shares issued and fully paid during the period / year	43,000,000	43,000,000

9. EMPLOYEES' END OF SERVICE BENEFITS

General description
The Group's policy provides for end of service benefits for all employees who complete the qualifying period of service in accordance with the Labor Law applied in the Kingdom of Saudi Arabia.

The annual provision is based on the actuarial valuations. The most recent actuarial valuation was performed by Alkhwarizmi Actuarial Services Company, an independent actuary, using the Projected Unit Credit Method as at 31 March 2017.

9. EMPLOYEES' END OF SERVICE BENEFITS (continued)

The movement in employees' end of service benefits during the period / year are as follows:

	31 March 2017 (Unaudited)	31 December 2016 (Audited)
	SAR	SAR
At the beginning of the year	32,289,166	31,129,257
Charge for the period / year	871,301	4,974,028
Payments during the period / year	(1,508,871)	(3,672,639)
Actuarial (loss) / gain	(471,281)	613,315
Foreign exchange differences	(2,876)	(754,795)
At the end of the period / year	31,177,439	32,289,166

Principal actuarial assumptions

	31 March 2017 (Unaudited)	31 December 2016 (Audited)
	SAR	SAR
Financial assumptions		
Discount rate	3.1% - 15.25%	3.2% - 14.5%
Salary increase rate for the first period / year	0% - 3.25%	0%
Long term salary increase	3.25% - 10%	3.25% - 10%
Demographic assumptions		
Mortality	SLIC(2001-05)-1	SLIC(2001-05)-1
Rates for employees turnover	Heavy	Heavy

All movements in the end of service benefits liability are recognized in profit or loss except for the actuarial gain which is recognized in other comprehensive income.

10. SHORT-TERM LOANS

	Notes	31 March 2017 (Unaudited)	31 December 2016 (Audited)
		SAR	SAR
Murabaha facilities	10.1	1,018,343,113	906,881,904
Commodity agreements	10.2	46,625,936	68,716,653
Gold loans	10.3	-	27,972,911
Murabaha cash facilities	10.4	17,000,000	17,000,000
		1,081,969,049	1,020,571,468

10. SHORT-TERM LOANS (continued)

10.1 The Group has Islamic Murabaha facilities to obtain gold from various banks to finance gold working capital requirements, with maturity periods ranging from 1 to 4 months (2016: 2 to 4 months) with agreed profit rates.

10.2 Represents agreements to buy gold, at a certain fixed gold price, and sell it back at a future date, ranging from 1 to 10 months in 2017 and from 1 to 6 months in 2016, at the same gold price plus agreed commission. The agreements are secured by cash margin deposit.

10.3 Represents gold loans from banks used to finance working capital. The Group repaid the gold loans during the period with an interest rate of SIBOR plus agreed rates and a maturity period of 3 months. The Group pays cash margin deposits at agreed rates on the face value of the loan that is refundable at maturity date.

10.4 Represents Islamic Murabaha cash facilities from various banks solely to finance its working capital requirements with agreed profit rates and maturity periods ranging from 1 to 6 months.

11. OTHER INCOME – NET

	31 March 2017	31 March 2016
	SAR	SAR
Gain from foreign currency exchange differences, net (note 11.1)	**371,081**	13,732,259
Others	**16,393**	(174,191)
	387,474	13,558,068

11.1 The gain from foreign currency exchange differences in the three months period ended 31 March 2016 was mainly due to devaluation of Egyptian Pound.

12. ZAKAT AND INCOME TAXES

Zakat for the period
Zakat charge on the Group for the period amounted to SAR 4,447,548 (2016: SAR 4,239,354).

Income taxes related to foreign subsidiaries for the period
Income tax charges on subsidiaries for the period amounted to SAR 560,999 (2016: SAR 897,460).

Income tax pertains to ORO Egypt Company ("ORO") and L'azurde Company for Jewellery LLC ("LCJ Qatar") where tax has been accrued on their estimated taxable profit at 22.5% and 10% respectively.

Status of zakat assessments
The Company has filed the zakat returns and paid zakat for all the years up to 2016. During March 2017, the Company received zakat assessments for the years 2005 to 2014 with additional zakat liability of approximately SR 10.6 million. Under the Saudi Arabian Zakat regulations, the Company had the right to file an appeal against such assessments within 60 days from receiving the assessments and the Company has submitted an appeal against such assessments within the grace period. The management believes that current provision relating to zakat liability is adequate to cover any additional exposure that may arise as a result of these assessments.

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 No. 8 of the year 1997. ORO received tax assessments and settled its tax liabilities on non-exempt activities till the year 2011. The years 2012 to 2014 are currently under inspection by the tax authorities in Egypt and no assessments has been issued for these years yet. ORO paid all taxes due on its non-exempt activities to date.

12. ZAKAT AND INCOME TAXES (continued)

Status of income tax assessments related to foreign subsidiaries (continued)

LCJ Egypt, registered in Arab Republic of Egypt, is exempt from income tax obligations on its commercial and manufacturing results for a period of ten years effective from 2008.

L'azurde Company for Jewellery LLC ("LCJ Qatar"), registered in the State of Qatar, filed its tax return for year 2016.

Lazurde Company for Jewelry LLC ("LCJ Dubai") and L'azurde Jewellery LLC ("LJ Abu Dhabi"), registered in the United Arab Emirates, operate in a tax free country, so no tax returns have been filed.

13. EARNINGS PER SHARE - BASIC AND DILUTED

Basic and diluted earnings per share	**31 March 2017 (Unaudited)**	31 March 2016 (Unaudited)
Net profit for the period (in SAR)	**21,988,009**	51,007,332
Weighted average number of ordinary shares during the period	**43,000,000**	43,000,000
Basic and diluted earnings per share for the period (in SAR)	**0.51**	1.19

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 as at 31 March 2017 and 31 March 2016.

14. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are shareholders, Board of Directors, key management of the Group, and companies of which they are principal owners. Pricing policies and terms of these transactions are at arm's length.

Transactions with related parties during the period are as follows:

	For the three months period	
	31 March 2017 (Unaudited)	31 March 2016 (Unaudited)
	SAR	SAR
Remuneration to Board of Directors and key management personnel	**2,212,754**	1,909,588
Consultancy fees to a director	**125,625**	-

Outstanding balances with related parties at the reporting date are as follows:

	31 March 2017 (Unaudited)	31 December 2016 (Audited)
	SAR	SAR
Due to key management personnel	**466,625**	441,615

15. CONTINGENCIES AND COMMITMENTS

Contingencies
The Group issued letters of guarantees amounting to SAR 3.2 million as at 31 March 2017 (31 December 2016: SAR 2.1 million) in relation to its operations.

Capital commitments
The Group has capital commitments in respect of capital expenditures amounting to SAR 5.2 million as at 31 March 2017 (31 December 2016: SAR 12.4 million).

15. CONTINGENCIES AND COMMITMENTS (continued)

Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

	31 March 2017 (Unaudited) SAR	31 December 2016 (Audited) SAR
Within one year	12,924,247	15,107,537
After one year but not more than five years	13,217,937	13,698,270
More than five years	2,326,954	2,326,954
	28,469,138	31,132,761

16. SEGMENT REPORTING

The Group is organized into wholesale and retail business segments. These operating segments are monitored by the Group's chief operating decision maker. All the intra-group revenues and other balances are eliminated on consolidation. Details of the Group's segments are as follows:

31 March 2017 (Unaudited)	Wholesale SAR	Retail SAR	Total SAR
Revenues - Gold	482,781,938	-	482,781,938
- Operations	92,637,153	29,269,434	121,906,587
Gross profit	63,466,355	10,683,679	74,150,034
Property and equipment	60,909,618	8,722,230	69,631,848
Total assets	1,542,947,126	65,934,495	1,608,881,621
Total liabilities	(1,180,376,004)	(6,732,613)	(1,187,108,617)

31 March 2016 (Unaudited)	Wholesale SAR	Retail SAR	Total SAR
Revenues - Gold	705,074,918	-	705,074,918
- Operations	152,772,178	25,699,532	178,471,710
Gross profit	108,171,902	9,156,351	117,328,253
Property and equipment	69,480,526	6,550,602	76,031,128
Total assets	2,041,588,915	67,618,638	2,109,207,553
Total liabilities	(1,612,427,690)	(10,674,915)	(1,623,102,605)

17. 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).

17. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments (continued)

The following table shows 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.

31 March 2017 (Unaudited)	Fair Value (in SAR)			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Accounts receivables	**519,335,678**	-	-	**519,335,678**
Financial liabilities				
Short term loans	**1,064,969,049**	-	-	**1,064,969,049**
31 December 2016 (Audited)				
Financial assets				
Accounts receivables	339,455,429	-	-	339,455,429
Financial liabilities				
Short term loans	1,003,571,468	-	-	1,003,571,468

18. SUBSEQUENT EVENTS

On 13 Rajab 1438H (corresponding to 10 April 2017), the Group approved cash dividends amounting to SAR 21.5 million for the year ended 31 December 2016 in its Annual General Assembly. Dividends were paid on 28 Rajab 1438H (corresponding to 25 April 2017).

19. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

19.1 Reclassifications

For better presentation, certain amounts from prior periods have been reclassified to conform to the presentation in the current year. Details of the reclassifications are as follows:

		31 December 2016	31 March 2016	1 January 2016
From	**To**	SAR	SAR	SAR
Other current assets	Other non-current assets	787,822	884,904	846,614
Property and equipment – cost	Intangible assets - cost	6,327,916	6,461,057	6,482,846
Accumulated depreciation of property and equipment	Accumulated amortization of intangible assets	(6,169,040)	(6,306,833)	(6,322,258)

19. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The Group's date of transition to IFRS is 1 January 2016. As a result of IFRS transition, line items in the 31 December 2016, 31 March 2016 and 1 January 2016 consolidated statement of financial position and consolidated statement of profit or loss and consolidated statement of comprehensive income have been restated as set out below:

19.2 Reconciliation of Statement of Financial Position

		For the year ended 31 December 2016			For the three months period ended 31 March 2016			For the year beginning 1 January 2016		
	Notes	31 December 2016	IFRS Transition differences	31 December 2016 (Restated)	31 March 2016	IFRS Transition differences	31 March 2016 (Restated)	1 January 2016	IFRS Transition differences	1 January 2016 (Restated)
		SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR
ASSETS										
Non-Current Assets										
Property and equipment	19.1	68,313,293	(158,876)	68,154,417	76,185,352	(154,224)	76,031,128	75,197,606	(160,588)	75,037,018
Intangible assets	19.1	424,143	158,876	583,019	-	154,224	154,224	-	160,588	160,588
Other non-current assets	19.1	-	787,822	787,822	-	884,904	884,904	-	846,614	846,614
Total Non-Current Assets		68,737,436	787,822	69,525,258	76,185,352	884,904	77,070,256	75,197,606	846,614	76,044,220
Current Assets										
Inventories		805,705,663	-	805,705,663	957,719,392	(418,435)	957,300,957	975,644,876	-	975,644,876
Accounts receivable		424,993,112	-	424,993,112	794,693,879	-	794,693,879	389,908,346	-	389,908,346
Other current assets	19.1	30,106,526	(787,822)	29,318,704	34,824,179	(884,904)	33,939,275	36,580,839	(846,614)	35,734,225
Cash margin deposits		170,955,709	-	170,955,709	185,766,692	-	185,766,692	116,672,019	-	116,672,019
Cash and cash equivalents		38,518,470	-	38,518,470	60,436,494	-	60,436,494	173,438,279	-	173,438,279
Total Current Assets		1,470,279,480	(787,822)	1,469,491,658	2,033,440,636	(1,303,339)	2,032,137,297	1,692,244,359	(846,614)	1,691,397,745
TOTAL ASSETS		1,539,016,916	-	1,539,016,916	2,109,625,988	(418,435)	2,109,207,553	1,767,441,965	-	1,767,441,965

19. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

19.2 Reconciliation of Statement of Financial Position (continued)

		For the year ended 31 December 2016			For the three months period ended 31 March 2016			For the year beginning 1 January 2016		
	Notes	31 December 2016	IFRS Transition differences	31 December 2016 (Restated)	31 March 2016	IFRS Transition differences	31 March 2016 (Restated)	1 January 2016	IFRS Transition differences	1 January 2016 (Restated)
		SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR
EQUITY AND LIABILITIES										
EQUITY										
Share capital		430,000,000	-	430,000,000	430,000,000	-	430,000,000	430,000,000	-	430,000,000
Statutory reserves		17,265,738	-	17,265,738	10,056,720	-	10,056,720	10,056,720	-	10,056,720
Retained earnings		131,610,117	(481,064)	131,129,053	118,007,990	(5,218,831)	112,789,159	89,855,476	270,525	90,126,001
Foreign currency translation reserve		(175,822,294)	(101,230)	(175,923,524)	(66,735,371)	(5,560)	(66,740,931)	(38,891,595)	-	(38,891,595)
TOTAL EQUITY	19.5	403,053,561	(582,294)	402,471,267	491,329,339	(5,224,391)	486,104,948	491,020,601	270,525	491,291,126
LIABILITIES										
Non-Current Liabilities										
Employees' end of service benefits	19.8	31,706,277	582,889	32,289,166	31,933,836	4,805,956	36,739,792	31,398,243	(268,991)	31,129,252
Deferred tax liability		557,998	-	557,998	1,329,038	-	1,329,038	991,046	-	991,046
Total Non-Current Liabilities		32,264,275	582,889	32,847,164	33,262,874	4,805,956	38,068,830	32,389,289	(268,991)	32,120,298
Current Liabilities										
Accounts payables and current liabilities	19.5	60,576,514	(595)	60,575,919	88,355,032	-	88,355,032	111,214,761	(1,534)	111,213,227
Short-term loans		1,020,571,468	-	1,020,571,468	1,487,787,447	-	1,487,787,447	1,114,782,660	-	1,114,782,660
Zakat and income tax liability		22,551,098	-	22,551,098	8,891,296	-	8,891,296	18,034,654	-	18,034,654
Total Current Liabilities		1,103,699,080	(595)	1,103,698,485	1,585,033,775	-	1,585,033,775	1,244,032,075	(1,534)	1,244,030,541
TOTAL LIABILITIES		1,135,963,355	585,294	1,136,545,649	1,618,296,649	4,805,956	1,623,102,605	1,276,421,364	(270,525)	1,276,150,839
TOTAL EQUITY AND LIABILITIES		1,539,016,916	-	1,539,016,916	2,109,625,988	(418,435)	2,109,207,553	1,767,441,965	-	1,767,441,965

19. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

19.3 Reconciliation of consolidated statement of profit or loss

		For the year ended 31 December 2016			For the three months period ended 31 March 2016		
	Notes	31 December 2016	IFRS Transition differences	31 December 2016 (Restated)	31 March 2016	IFRS Transition differences	31 March 2016 (Restated)
		SAR	SAR	SAR	SAR	SAR	SAR
REVENUE							
Gold		1,612,905,847	-	**1,612,905,847**	705,074,918	-	**705,074,918**
Operations		405,396,857	-	**405,396,857**	178,471,710	-	**178,471,710**
		2,018,302,704	-	**2,018,302,704**	883,546,628	-	**883,546,628**
COST OF REVENUE							
Gold	19.6	(1,612,905,847)	-	**(1,612,905,847)**	(705,074,918)	(418,436)	**(705,493,354)**
Operations		(161,502,272)	647,002	**(160,855,270)**	(61,001,293)	276,272	**(60,725,021)**
GROSS PROFIT		243,894,585	647,002	**244,541,587**	117,470,417	(142,164)	**117,328,253**
OPERATING EXPENSES							
Selling and marketing expenses		(134,175,266)	209,514	**(133,965,752)**	(50,372,375)	90,534	**(50,281,841)**
General and administration expenses		(42,790,703)	215,667	**(42,575,036)**	(14,263,797)	92,089	**(14,171,708)**
OPERATING INCOME		66,928,616	1,072,183	**68,000,799**	52,834,245	40,459	**52,874,704**
OTHER INCOME/ (EXPENSES)							
Other income – net	19.6	58,434,152	(940)	**58,433,212**	13,559,601	(1,533)	**13,558,068**
Finance charges - net		(34,405,815)	(1,209,518)	**(35,615,333)**	(9,978,003)	(310,623)	**(10,288,626)**
NET PROFIT BEFORE ZAKAT AND TAXES		90,956,953	(138,275)	**90,818,678**	56,415,843	(271,697)	**56,144,146**
Zakat		(17,562,193)	-	**(17,562,193)**	(4,239,354)	-	**(4,239,354)**
Income tax		(1,304,585)	-	**(1,304,585)**	(897,460)	-	**(897,460)**
NET PROFIT FOR THE YEAR/ PERIOD	19.6	72,090,175	(138,275)	**71,951,900**	51,279,029	(271,697)	**51,007,332**

19. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

19.4 Reconciliation of consolidated statement of comprehensive income

	For the year ended 31 December 2016			For the three months period ended 31 March 2016		
	31 December 2016	IFRS Transition differences	**31 December 2016 (Restated)**	31 March 2016	IFRS Transition differences	**31 March 2016 (Restated)**
	SAR	SAR	**SAR**	SAR	SAR	**SAR**
NET PROFIT FOR THE YEAR/ PERIOD	72,090,175	(138,275)	**71,951,900**	51,279,029	(271,697)	**51,007,332**
OTHER COMPREHENSIVE INCOME						
Items that will not be reclassified subsequently to profit or loss						
Re-measurement on employees' end of service benefits	-	(613,315)	**(613,315)**	-	(5,217,658)	**(5,217,658)**
Items that will be reclassified subsequently to profit or loss						
Exchange differences on translating foreign operations	-	(137,031,929)	**(137,031,929)**	-	(27,849,336)	**(27,849,336)**
Other comprehensive income for the year / period – net of tax	-	(137,645,244)	**(137,645,244)**	-	(33,066,994)	**33,066,994**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR / PERIOD	72,090,175	(137,783,519)	**(65,693,344)**	51,279,029	(33,338,691)	**17,940,338**

19. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

19.5 Reconciliation of equity

	Notes	31 December 2016	31 March 2016	31 December 2016 (Restated)
		SAR	SAR	SAR
Unrealized gain on gold revaluation		595	-	1,534
Effect on re-measurement of liabilities on statement of profit or loss	19.8	(137,335)	148,272	-
Actuarial gains / (losses) on re-measurement of employees end of service benefits	19.8	(613,315)	(5,217,658)	-
Effect of re-measurement of liabilities on opening retained earnings	19.8	268,991	268,991	268,991
Effect of change in policy for inventories		-	(418,436)	-
Effect on foreign currency translation reserve		(101,230)	(5,560)	-
	19.7	(582,294)	(5,224,391)	270,525

19.6 Reconciliation of profits

	For the year ended 31 December 2016		For the three months period ended 31 March 2016	
	Profit before zakat and tax	Profit for the year	Profit before zakat and tax	Profit for the period
	SAR	SAR	SAR	SAR
Profit as per SOCPA Standards	90,956,953	72,090,175	56,415,843	51,279,029
Effect on re-measurement of liabilities on statement of profit or loss	(137,335)	(137,335)	148,272	148,272
Unrealized gain on gold revaluation	(940)	(940)	(1,533)	(1,533)
Effect of change in inventory policy	-	-	(418,436)	(418,436)
Profit as per IFRS Standards	90,818,678	71,951,900	56,144,146	51,007,332
Other comprehensive income		(137,645,244)		(33,066,994)
Total comprehensive income		(65,693,344)		17,940,338

19. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

19.7 Inventories

Under SOCPA Standards the Group was earlier carrying its gold inventory at market value. However, as per the IFRS Standards inventories should be carried at lower of cost or net realizable values (NRV). The Group has applied this change in accounting policy retrospectively by adjusting retained earnings and inventories carried at market values on the date of transition to IFRS.

	31 December 2016	31 March 2016	1 January 2016
	SAR	SAR	SAR
As per SOCPA Standards	805,705,663	957,719,392	975,644,876
Effect of transition to IFRSs	-	(418,435)	-
As per IFRS Standards	805,705,663	957,300,957	975,644,876

19.8 Employees' end of service benefits

The Group has carried out actuarial valuation of its employees' end of service benefits as part of transition to IFRSs:

	31 December 2016	31 March 2016	1 January 2016
	SAR	SAR	SAR
Effect of re-measurement of liabilities on profit or loss	137,335	(148,272)	-
Actuarial losses on re-measurement of employees' end of service benefits	613,315	5,217,658	-
Effect of re-measurement of liabilities on opening retained earnings	(268,991)	(268,991)	(268,991)
Foreign exchange differences	101,230	5,560	-
	582,889	4,805,955	(268,991)

19.9 Reconciliation of consolidated statement of cash flows

	31 March 2016	IFRS Transition difference	**31 March 2016 (Restated)**
	SAR	SAR	**SAR**
Net cash flows used in operating activities	(53,580,587)	(23,352,741)	**(76,993,328)**
Net cash flows used in investing activities	(3,567,024)	(3,215,227)	**(6,782,251)**
Net cash flows used in financing activities	(28,010,398)	-	**(28,010,398)**
Net change in cash and cash equivalents during the period	(85,158,009)	(26,567,968)	**(111,725,977)**
Cash and cash equivalents at beginning of period	173,438,279	-	**173,438,279**
Exchange differences	(27,843,776)	26,567,968	**(1,275,808)**
Cash and cash equivalents at end of period	60,346,494	-	**60,346,494**