L'azurde Company for Jewelry and its Subsidiaries

(Saudi Joint Stock Company)

Consolidated FINANCIAL STATEMENTS

31 DECEMBER 2015

EY
Building a better working world

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AUDITORS' REPORT TO THE SHAREHOLDERS OF
L'AZURDE COMPANY FOR JEWELRY (Saudi Joint Stock Company)

Scope of audit

We have audited the accompanying consolidated balance sheet of L'azurde Company for Jewelry - Saudi Joint Stock Company - (the "Company"), and its subsidiaries (together the "Group") as at 31 December 2015 and the related consolidated statements of income, cash flows and changes in the shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management and have been prepared by them in accordance with article 123 of the Regulations for Companies and submitted to us together with all the information and explanations, which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified Opinion

In our opinion, the consolidated financial statements taken as a whole:

i) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015 and its results of operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) Comply with the requirements of the Regulations for Companies and the Company's By-Laws in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young

ERNST & YOUNG

Fahad M. Al-Toaimi
Certified Public Accountant
Registration No. 354

Riyadh: 24 Rabi Thani 1437H
(3 February 2016)

L'azurde Company for Jewelry and its Subsidiaries

(Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	Notes	2015 SR	2014 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	173,438,279	62,554,885
Margin deposits	5	116,672,019	221,063,348
Accounts receivable	6	389,908,346	279,793,242
Inventories	7	975,644,876	977,530,359
Prepayments and other receivables	8	36,580,839	30,502,895
TOTAL CURRENT ASSETS		1,692,244,359	1,571,444,729
NON-CURRENT ASSETS			
Property, plant and equipment	10	75,197,606	65,669,260
Intangible assets	11	-	299,999
TOTAL NON-CURRENT ASSETS		75,197,606	65,969,259
TOTAL ASSETS		1,767,441,965	1,637,413,988
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable, accrued expenses and other liabilities	12	111,214,761	62,509,955
Short-term loans	13	1,114,782,660	1,049,615,311
Zakat and income tax liability	14	18,034,654	13,152,593
TOTAL CURRENT LIABILITIES		1,244,032,075	1,125,277,859
NON-CURRENT LIABILITIES			
Employees' terminal benefits	15	31,398,243	28,938,869
Deferred tax liability	14	991,046	-
TOTAL LIABILITIES		1,276,421,364	1,154,216,728
SHAREHOLDERS' EQUITY			
Share capital	16	430,000,000	300,000,000
Statutory reserve	17	10,056,720	52,509,121
Retained earnings		89,855,476	151,709,362
Foreign currency translation reserve		(38,891,595)	(21,021,223)
TOTAL SHAREHOLDERS' EQUITY		491,020,601	483,197,260
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,767,441,965	1,637,413,988

The consolidated financial statements have been approved by the Board of Directors on 3 February 2016 and signed on their behalf by:

Selim Chidiac
Chief Executive Officer

Ayman Gamil
Chief Financial Officer

The attached notes 1 to 30 form an integral part of these consolidated financial statements.

L'azurde Company for Jewelry and its Subsidiaries

(Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2015

	Notes	2015 SR	2014 SR
Revenue:			
Gold		2,284,094,159	2,248,511,483
Operations		530,103,887	468,442,839
		2,814,198,046	2,716,954,322
Cost of Revenue:			
Gold		(2,284,094,159)	(2,248,511,483)
Operations		(190,778,631)	(167,260,000)
		(2,474,872,790)	(2,415,771,483)
GROSS PROFIT		339,325,256	301,182,839
EXPENSES			
Selling and marketing	18	(137,402,874)	(121,564,285)
General and administration	19	(52,444,432)	(48,990,507)
		(189,847,306)	(170,554,792)
INCOME FROM MAIN OPERATIONS		149,477,950	130,628,047
Financial charges	13	(34,896,412)	(27,964,164)
Other income/(expenses), net	20	4,282,627	(3,132,931)
INCOME BEFORE ZAKAT AND INCOME TAX		118,864,165	99,530,952
Zakat	14	(14,311,093)	(13,240,413)
Income tax	14	(3,985,875)	-
NET INCOME FOR THE YEAR		100,567,197	86,290,539
Earnings per share			
Attributable to income from main operations	21	3.48	3.04
Attributable to net income	21	2.34	2.01

The attached notes 1 to 30 form an integral part of these consolidated financial statements.

L'azurde Company for Jewelry and its Subsidiaries
(Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

	Notes	2015 SR	2014 SR
OPERATING ACTIVITIES			
Income before zakat and income tax		118,864,165	99,530,952
Adjustments for:			
Depreciation	10	9,901,048	9,930,262
Employees' terminal benefits expense	15	7,950,272	6,551,641
Gain on disposal of property, plant and equipment	20	(194,689)	(77,646)
Intangible assets written off		299,999	-
Impairment of prepayments	20	1,551,366	2,014,714
Melting costs and charge for slow moving inventory items		2,577,455	5,852,058
Doubtful debts reversal	18	(5,174,952)	(1,551,841)
		135,774,664	122,250,140
Changes in operating assets and liabilities:			
Accounts receivable		(104,940,152)	(116,885,583)
Inventories		(691,972)	(133,961,665)
Prepayments and other receivables		(7,629,310)	4,961,874
Accounts payable, accrued expenses and other liabilities		16,831,322	3,027,535
Proceeds from short-term gold loans, net		65,167,349	233,579,350
Changes in margin deposits		104,391,329	(103,536,802)
Net cash generated from operations		208,903,230	9,434,849
Zakat paid	14	(12,423,861)	(11,620,122)
Employees' terminal benefits paid	15	(5,490,898)	(1,352,490)
Net cash from/(used in) operating activities		190,988,471	(3,537,763)
INVESTING ACTIVITIES			
Short-term deposits		-	11,000,000
Purchase of property, plant and equipment	10	(23,405,207)	(11,374,391)
Proceeds from disposal of property, plant and equipment		4,170,502	1,432,855
Net cash (used in)/generated from investing activities		(19,234,705)	1,058,464
FINANCING ACTIVITIES			
Dividends paid	25	(43,000,000)	(62,827,057)
Net cash used in financing activities		(43,000,000)	(62,827,057)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		128,753,766	(65,306,356)
Cash and cash equivalents at the beginning of the year		62,554,885	134,421,715
Foreign currency translation adjustments, net		(17,870,372)	(6,560,474)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		173,438,279	62,554,885

The attached notes 1 to 30 form an integral part of these consolidated financial statements.

L’azurde Company for Jewelry and its Subsidiaries

(Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY

For the year ended 31 December 2015

	Share capital SR	Statutory reserve SR	Retained earnings SR	Foreign currency translation reserve SR	Total SR
Balance at 31 December 2013	300,000,000	43,880,067	136,874,934	(14,460,749)	466,294,252
Net income for the year	-	-	86,290,539	-	86,290,539
Transferred to statutory reserve	-	8,629,054	(8,629,054)	-	-
Dividends paid (note 25)	-	-	(62,827,057)	-	(62,827,057)
Foreign currency translation adjustments, net	-	-	-	(6,560,474)	(6,560,474)
Balance at 31 December 2014	300,000,000	52,509,121	151,709,362	(21,021,223)	483,197,260
Transferred to share capital (note 16)	130,000,000	(52,509,121)	(77,490,879)	-	-
Net income for the year	-	-	100,567,197	-	100,567,197
Transferred to statutory reserve	-	10,056,720	(10,056,720)	-	-
Dividends (note 25)	-	-	(74,873,484)	-	(74,873,484)
Foreign currency translation adjustments, net	-	-	-	(17,870,372)	(17,870,372)
Balance at 31 December 2015	430,000,000	10,056,720	89,855,476	(38,891,595)	491,020,601

The attached notes 1 to 30 form an integral part of these consolidated financial statements.

1. ACTIVITIES

L'azurde Company for Jewelry (the "Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010221531 date 26 Jumad Thani 1427H (corresponding to 22 July 2006). The Company is engaged in the production, manufacturing, forming and forging golden wares, jewelry, and 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 Company is also engaged in distribution of glasses, watches, accessories, pens, perfumes, leather products and export of gold wares, alloys and silver.

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

The Company effectively owns and controls the following subsidiaries:

Subsidiary company	Direct and indirect shareholding %	Principal field of activities	Commercial registration number	Country of incorporation
ORO Egypt Company ("ORO")	100	Gold production and trading	7877	Arab Republic of Egypt
L'azurde Company for Jewellery ("LCJ")	100	Gold production and trading	14997	Arab Republic of Egypt
L'azurde Company for Jewelry LLC	100	Gold trading	1039193	United Arab Emirates
L'azurde Jewellery LLC	100	Gold trading	1060233	United Arab Emirates
L'azurde Company for Jewellery LLC ("LCJ LLC") (*)	98	Gold trading	60716	State of Qatar
Almujwharat Almasiah LLC (**)	100	Trading of sunglasses and silver products	1010236734	Kingdom of Saudi Arabia
Kenaz LLC (**)	100	Trading of watches and perfumes	1010352574	Kingdom of Saudi Arabia

(*) The direct ownership of the Company in LCJ LLC is 49%, however, based on the agreement with the nominee shareholders of LCJ LLC, the Company is entitled to 98% of the economic benefits of LCJ LLC.

(**) During the current year, Almujwharat Almasiah LLC and Kenaz LLC were incorporated.

The Group has made an in-principle decision to seek an initial public offering (IPO) during 2016. Currently, the Group is in the process of preparing for an IPO and seeking required regulatory approvals.

The Board of Directors of the Company has approved the application to the related authorities to obtain the approval on offering 30% of the Company's shares by a way of public offering.

2. BASIS OF CONSOLIDATION

These consolidated financial statements include the assets and liabilities and the results of operations of the Company and its subsidiaries (the "Group") listed in note 1 above.

A subsidiary company is that in which the Company has, directly or indirectly, long-term investment comprising an interest of more than 50% in the voting capital and/or over which it exerts practical control. A subsidiary is consolidated from the date on which the Company obtains control till the date that control ceases.

Subsidiaries' financial statements are prepared for the same period using accounting policies consistent with those used by the Company.

Non-controlling interests represent the portion of profit or loss and net assets that are not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from the shareholders' equity, if material.

All significant inter-company transactions have been eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at market price of gold asset and liability accounts.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles by management requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The actual results ultimately may differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents consist of bank balances, cash on hand and investments that are readily convertible into known amounts of cash and have maturity of three months or less when placed.

Accounts receivable

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

Inventories

Inventory consists of gold and other items. Gold is valued at market price. Other inventory items are stated at the lower of cost and market value. The cost of other inventory items is determined as follows:

Raw material, consumables and other

manufacturing material	-	purchase cost on weighted average basis.
Work in progress and finished goods	-	cost of direct material, labor and overheads based on a normal level of activity.
Re-sellable goods	-	specific identification basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventory consists of gold and other items. Gold is valued at market price. Other inventory items are stated at the lower of cost and market value. The cost of other inventory items is determined as follows:

Raw material, consumables and other

manufacturing material	-	purchase cost on weighted average basis.
Work in progress and finished goods	-	cost of direct material, labor and overheads based on a normal level of activity.
Re-sellable goods	-	specific identification basis.

Appropriate provisions are made for slow moving inventories. An appropriate provision is also made to cover the expected melting costs of all non-sellable inventory items that would be melted to be used again in production. It is the Group's policy to charge such provisions under cost of sales in the consolidated statement of income.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Freehold land is not depreciated. The cost less estimated residual value of other property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.

Leasehold improvements are amortised 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 income. Improvements that increase the value or materially extend the life of the related assets are capitalised.

Intangible assets

Intangible assets with identified or identifiable useful life are amortised on straight line basis over the shorter of their useful life or statutory life. Intangible assets with infinite lives are assessed for impairment annually and whenever there is an indication that the assets may be impaired.

Impairment of non-current assets

The Group periodically reviews the carrying amounts of their non-current tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which that asset belongs.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit in prior periods. A reversal of an impairment loss is recognised as income immediately.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised 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 may be measured reliably.

Zakat and income tax

Zakat is provided for on behalf of the Company 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 consolidated statement of 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.

Operating leases

Operating leases payments are recognised as expense in the consolidated statement of income on a straight line basis over the lease term.

Employees' terminal benefits

Provision is made for amounts payable under the Saudi Arabian labor law applicable to employees' accumulated periods of service at the balance sheet date.

Dividends

Final dividends are recorded as liabilities at the time of their approval by the Shareholders' General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

Revenue recognition

Sales are recognised when goods are invoiced (at the then gold market prices) and delivered to customers.

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.

Other income is recognised when earned.

Expenses

Selling and marketing expenses are those that specifically relate to salesmen, warehousing and delivery vehicles as well as doubtful debt expense. All other expenses are classified as general and administration expenses.

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 are revalued at the market price ruling at the balance sheet date. Realised gains and losses and unrealised losses from revaluation of gold related items are recognised in the consolidated statement of income. Unrealised gain from gold revaluation is deferred until it is realised in the subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 balance sheet date are translated into Saudi Riyals exchange rates prevailing at that date. Realised and unrealised exchange differences on foreign currencies are recognised in the consolidated statement of income.

Foreign operations translations

Financial statements of the foreign subsidiaries are translated into Saudi Riyals using the exchange rates at each balance sheet date, for assets and liabilities, and the average exchange rates for each period for revenues, 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 as a separate component of the shareholders' equity.

Segmental reporting

A segment is a distinguishable component of the Group whether in producing/selling products and services (business segment), or in providing/selling products or services within a particular economic environment (geographical segment), which is subject to the risks and rewards that are different from those of other segments.

4. CASH AND CASH EQUIVALENTS

	2015	2014
	SR	SR
Cash in hand and bank balances	166,254,784	33,712,261
Short-term deposits	7,183,495	28,842,624
	173,438,279	62,554,885

5. MARGIN DEPOSITS

These comprise deposits with several banks and are held as margin deposits (restricted) against short-term gold loans granted to the Company by certain banks (note 13).

6. ACCOUNTS RECEIVABLE

	2015	2014
	SR	SR
Trade receivables	399,843,318	292,540,150
Less: provision for doubtful debts	(9,934,972)	(12,746,908)
	389,908,346	279,793,242

7. INVENTORIES

By component:

	2015	2014
	SR	SR
Gold	835,470,179	837,366,591
Diamonds, stones and pearls	137,781,650	139,238,323
Materials and accessories	19,729,253	15,684,196
	992,981,082	992,289,110
Less: provision for melting costs and slow moving inventory items	(17,336,206)	(14,758,751)
	975,644,876	977,530,359

By stage of completion:

	2015	2014
	SR	SR
Finished goods	605,457,817	621,209,346
Raw material	385,298,463	368,670,844
Work in progress	2,224,802	2,408,920
	992,981,082	992,289,110
Less: provision for melting costs and slow moving inventory items	(17,336,206)	(14,758,751)
	975,644,876	977,530,359

Gold inventory is secured against gold loans granted to the Company by certain banks (note 13).

When non-gold inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

8. PREPAYMENTS AND OTHER RECEIVABLES

	2015	2014
	SR	SR
Advances to suppliers	13,328,842	10,283,053
Prepayments	16,732,162	14,806,864
Advances to employees	3,121,433	2,682,702
Accrued income	402,276	138,729
Other receivables	2,996,126	2,591,547
	36,580,839	30,502,895

9. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Group includes major shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by such parties. There were no significant transactions with the related parties during the current or prior year. Following is the detail of the related party balance as at end of the year:

	Balances	
	2015 SR	2014 SR
Amount payable to L'azurde Holding Company, Parent	2,827,551	-

Certain senior employees of the Group have been granted a management incentive plan by the immediate parent company of the Group whereby these employees would be entitled to units, with their values linked to the equity price of the Company, at the fair value of the Company's share (from the perspective of selected employees) at the grant date. As at the reporting date, the Company has made deductions amounting to SR 2,827,551 from these selected employees on behalf of the immediate parent company being the partial purchase consideration of the units acquired by the selected employees. The above arrangement has no other impact on the consolidated statement of income and consolidated balance sheet of the Group.

10. PROPERTY, PLANT AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are based on the following rates:

Buildings	2%	Office equipment	15% to 50%
Machinery and equipment	10%	Tools, dies and other assets	15% to 25%
Furniture and fixtures	15%	Leasehold improvements	Useful life of the improvements or the term of the lease, whichever is shorter
Motor vehicles	25%		

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land SR	Buildings SR	Machinery and equipment SR	Furniture and fixtures SR	Motor vehicles SR	Office equipment SR	Tools, dies and other assets SR	Leasehold improvements SR	Total 2015 SR	Total 2014 SR
Cost:										
At the beginning of the year	640,177	76,273,053	71,789,525	21,528,828	9,489,349	26,334,307	13,881,837	13,285,777	233,222,853	232,427,757
Reclassification	-	(3,818,387)	-	-	-	-	-	3,818,387	-	-
Additions	-	2,236,468	9,683,456	872,617	2,089,457	2,951,384	341,367	5,230,458	23,405,207	11,374,391
Disposals	-	-	(14,737,895)	(6,593,857)	(1,007,246)	(559,998)	-	(3,456,526)	(26,355,522)	(10,579,295)
At the end of the year	640,177	74,691,134	66,735,086	15,807,588	10,571,560	28,725,693	14,223,204	18,878,096	230,272,538	233,222,853
Accumulated Depreciation:										
At the beginning of the year	-	38,657,097	62,156,872	20,053,861	6,924,125	22,303,538	11,125,765	6,332,335	167,553,593	166,847,417
Reclassification	-	(656,547)	-	-	-	-	-	656,547	-	-
Depreciation charge for the year	-	1,400,501	1,391,483	448,637	1,341,122	2,247,296	612,306	2,459,703	9,901,048	9,930,262
Relating to disposals	-	-	(11,771,888)	(6,577,129)	(993,595)	(477,271)	-	(2,559,826)	(22,379,709)	(9,224,086)
At the end of the year	-	39,401,051	51,776,467	13,925,369	7,271,652	24,073,563	11,738,071	6,888,759	155,074,932	167,553,593
Net book values:										
As at 31 December 2015	640,177	35,290,083	14,958,619	1,882,219	3,299,908	4,652,130	2,485,133	11,989,337	75,197,606	
As at 31 December 2014	640,177	37,615,956	9,632,653	1,474,967	2,565,224	4,030,769	2,756,072	6,953,442		65,669,260

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation charge for the year was allocated in the consolidated statement of income as follows:

	2015	2014
	SR	SR
Cost of revenue	4,612,696	4,068,514
Selling and marketing expenses (note 18)	3,361,071	4,111,664
General and administration expenses (note 19)	1,927,281	1,750,084
	9,901,048	9,930,262

11. INTANGIBLE ASSETS

These comprised of the value of capitalized cost of registering the trademarks of the Group in different countries. During 2015, the Group decided to fully expense these costs.

12. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

	2015	2014
	SR	SR
Trade accounts payable	20,950,602	21,996,250
Accrued expenses	46,355,551	29,389,742
Dividend payable (note 25)	31,873,484	-
Accrued financial charges	4,835,776	3,721,906
Amount due to a related party (note 9)	2,827,551	-
Employee payables	923,473	3,475,350
Unrealised gain on gold revaluation	1,533	316,230
Other payables	3,446,791	3,610,477
	111,214,761	62,509,955

13. SHORT-TERM LOANS

Short-term loans primarily consist of Islamic Murabaha and gold loans granted by certain banks, at commercial commission rates, which are mainly secured by restricted margin deposits (note 5) and gold inventory (note 7). As at 31 December, the details are as follows:

	Type of	2015	2014
	Loan	SR	SR
The National Commercial Bank	Murabaha	502,429,885	304,807,129
Saudi Hollandi Bank	Murabaha	401,031,837	428,694,653
Samba Financial Group	Murabaha	211,320,938	-
Samba Financial Group	Gold loan	-	145,590,018
Standard Bank	Commodity netting	-	121,026,378
Banque Saudi Fransi	Gold loan	-	35,040,123
The Bank of Nova Scotia	Gold loan	-	14,457,010
		1,114,782,660	1,049,615,311

13. SHORT-TERM LOANS (continued)

Movement in short term loans during the year was as follows:

	2015	2014
	SR	SR
At the beginning of the year	1,049,615,311	816,035,961
Borrowings	10,453,760,693	10,178,059,366
Repayments	(10,388,593,344)	(9,944,480,016)
At the end of the year	1,114,782,660	1,049,615,311

14. ZAKAT AND INCOME TAX

A) ZAKAT

The consolidated zakat liability of the Group for the year represents the zakat on L'azurde Company for Jewelry and its wholly-owned subsidiaries.

Charge for the year

Zakat charge consists of the current year provision amounting to SR 14,311,093 (2014: SR 13,240,413), and is based on following:

	2015 SR	2014 SR
Equity	461,218,483	417,927,944
Opening provisions and other adjustments	40,522,804	43,240,793
Book value of long-term assets	(75,197,606)	(66,165,307)
	426,543,681	395,003,430
Zakatable income for the year	137,739,514	116,951,094
Zakat base	564,283,195	511,954,524

The differences between the financial and the zakat results are mainly due to depreciation adjustments and provisions which are not allowed in the calculation of zakatable income.

Movement in the provision

Following is the movement of zakat provision for the year ended 31 December:

	2015	2014
	SR	SR
At the beginning of the year	13,152,593	11,532,302
Provided for the year	14,311,093	13,240,413
Payments during the year	(12,423,861)	(11,620,122)
At the end of the year	15,039,825	13,152,593

14. ZAKAT AND INCOME TAX (continued)

Status of assessments

The Company has filed and paid the zakat returns for all years up to 2014 and obtained final certificates for all years. The Company received an assessment for the year 2004 which was finalized and settled. The Company received a request for information from Department of Zakat and Income Tax (DZIT) on 9 November 2015 requesting information relating to the years 2006-2014. The Company responded to this request for information on 21 January 2016.

Almujwharat Almasiah LLC and Kenaz LLC were incorporated during the year but have not yet started operations and have not yet been registered with DIZT.

B) INCOME TAX

Income tax pertains to ORO Egypt Company which has been provided for based on its estimated taxable profit at 22.5 per cent.

Charge for the year

Income tax charge for the current year consists of the following:

	2015
	SR
Provision for the year	2,994,829
Deferred income tax adjustment	991,046
	3,985,875

Status of assessments

ORO Egypt Company (the 'Subsidiary'), registered in Arab Republic of Egypt, was exempt from Corporate Income Tax, according to the Egyptian law no. 8 of the year 1997, till 31 December 2014. The Subsidiary received tax assessments and settled its tax liabilities on non-exempt activities till the year 2011. In respect of the remaining years the Subsidiary has not received any assessment. The Subsidiary paid all taxes due on its non-exempt activities till date.

L'azurde Company for Jewellery (formerly International Company for Jewelry Manufacturing), 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 2008.

L'azurde Company for Jewelry LLC and L'azurde Jewellery LLC both are registered in the United Arab Emirates (Dubai and Abu Dhabi respectively) which is a tax-free country.

L'azurde Company for Jewellery LLC which is registered in the State of Qatar has filed the tax return for year 2014. No tax has been provided by L'azurde Company for Jewellery LLC since it has accumulated tax losses.

15. EMPLOYEES' TERMINAL BENEFITS

	2015	2014
	SR	SR
At the beginning of the year	28,938,869	23,739,718
Charge for the year	7,950,272	6,551,641
Payments during the year	(5,490,898)	(1,352,490)
At the end of the year	31,398,243	28,938,869

16. SHARE CAPITAL

Share capital is divided into 43,000,000 shares (2014: 30,000,000 shares) of SR 10 each.

During 2015, the shareholders of the Company resolved to increase the capital of the Company to SR 430 million by transferring SR 52,509,121 and SR 77,490,879 from statutory reserve and retained earnings respectively to share capital. The legal formalities required to enforce the increase of the share capital were completed during the year.

17. STATUTORY RESERVE

In accordance with Saudi Arabian Regulations for Companies, 10% of the net income for the year has been transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of its capital. The reserve is not available for distribution.

During 2015, the Company transferred SR 52,509,121 from statutory reserve to share capital (note 15).

18. SELLING AND MARKETING EXPENSES

	2015 SR	2014 SR
Advertisements and promotional activities	46,286,321	42,945,759
Gold calibration charges	31,992,476	23,442,873
Salaries and employees' benefits	25,883,398	23,021,791
Sales commissions	14,794,114	11,881,355
Rent	9,114,235	7,727,984
Depreciation	3,361,071	4,111,664
Travel	1,885,548	1,795,130
Insurance	1,300,255	981,906
Doubtful debts reversal	(5,174,952)	(1,551,841)
Other expenses	7,960,408	7,207,664
	137,402,874	121,564,285

19. GENERAL AND ADMINISTRATION EXPENSES

	2015 SR	2014 SR
Salaries and employees' benefits	39,479,562	37,307,332
Consultancy and professional fees	3,748,716	2,817,875
Travel	1,982,900	1,917,391
Depreciation	1,927,281	1,750,084
Printing, stationery and communication	949,941	1,078,605
Repairs and maintenance	679,966	629,801
Charity and donations	15,000	15,000
Other expenses	3,661,066	3,474,419
	52,444,432	48,990,507

20. OTHER INCOME/(EXPENSES), NET

	2015 SR	2014 SR
Gain from foreign currency exchange differences, net	7,260,458	2,116,434
Gain on disposal of property, plant and equipment	194,689	77,646
Loss on closure of showroom	(549,189)	(2,184,000)
Impairment of prepayments	(1,551,366)	(2,014,714)
Bank charges	(1,055,837)	(1,003,349)
Miscellaneous	(16,128)	(124,948)
	4,282,627	(3,132,931)

21. EARNINGS PER SHARE

Earnings per share is calculated based on the weighted average number of outstanding shares during the year. The weighted average number of outstanding shares during 2015 were 43 million shares. The weighted average number of outstanding shares during 2014 have been retrospectively adjusted to reflect the bonus element for the shares issued during 2015.

The earnings per share attributable to income from main operations has increased by 14 per cent to SR 3.48 per share for the year ended 31 December 2015 from SR 3.04 per share for the year ended 31 December 2014.

22. OPERATING LEASES

Rent expenses are related to operating leases. During 2015, an amount of SR 9,114,235 (2014: SR 7,727,984) was recognised as an expense in the consolidated statement of income in respect of operating leases (see note 18).

23. SEGMENTAL INFORMATION

These are attributable to the Group's activities and business lines approved by management to be used as a basis for the financial reporting and are consistent with the internal reporting process. The segments' results and assets comprise items that are directly attributable to a certain segment and items that can be reasonably allocated between the various business segments.

The Group is organised into the following main business segments:

	Retail	Wholesale	Total
	SR	SR	SR
For the year ended 31 December 2015:			
Revenue	84,187,994	2,730,010,052	2,814,198,046
Gross profit	26,903,361	312,421,895	339,325,256
Net book value of property, plant and equipment	6,701,722	68,495,884	75,197,606
Total assets	62,659,249	1,704,782,716	1,767,441,965
Total liabilities	(7,830,610)	(1,268,590,754)	(1,276,421,364)
For the year ended 31 December 2014:			
Revenue	73,194,779	2,643,759,543	2,716,954,322
Gross profit	22,781,598	278,401,241	301,182,839
Net book value of property, plant and equipment	6,538,778	59,130,482	65,669,260
Total assets	66,549,150	1,570,864,838	1,637,413,988
Total liabilities	(10,389,528)	(1,143,827,200)	(1,154,216,728)

The primary markets for the Group's products are the Kingdom of Saudi Arabia, other GCC countries and Egypt. Following is a geographical segment analysis of Group's total revenue and non-current assets:

Geographical segments

	UAE	Egypt	Saudi Arabia	Qatar	Total
	SR	SR	SR	SR	SR
For the year ended 31 December 2015					
Revenue	335,497,007	1,380,227,611	1,084,878,380	13,595,048	2,814,198,046
Non-current assets	6,674,455	23,836,942	44,686,209	-	75,197,606
For the year ended 31 December 2014					
Revenue	357,873,942	1,406,210,079	952,870,301	-	2,716,954,322
Non-current assets	7,301,603	17,256,663	41,410,993	-	65,969,259

24. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Group's financial assets consist of cash and cash equivalents, accounts receivables, short-term deposits, margin deposits and other receivables. Its financial liabilities consist of short-term loans, payables and amount due to a related party.

The fair values of financial instruments at the reporting date are not materially different from their carrying values.

25. DIVIDENDS

On 13 Sha'aban 1436H (corresponding to 31 May 2015) the Board of Directors recommended and approved to distribute interim cash dividends of SR 1 per share with total amount of SR 43 million.

On 5 Muharram 1437H (corresponding to 17 October 2015) the Board of Directors recommended and approved to distribute interim cash dividends of SR 0.741 per share with total amount of SR 31,873,484.

On 18 Dhul Hijjah 1435H (corresponding to 12 October 2014) the Board of Directors recommended and approved to distribute interim cash dividends at SR 2.09 per share with total amount of SR 62,827,057. In the meeting dated 4 Rajab 1436H (corresponding to 23 April 2015), the general assembly approved dividends of SR 62,827,057 (SR 2.09 per share) which was paid to the shareholders during the previous year.

26. RISK MANAGEMENT

Gold price risk

Gold price risk is the risk that the value of assets and liabilities denominated in gold will fluctuate due to changes in the gold price. The management minimizes its risk relating to the gold price fluctuation by maintaining equal quantity of gold in assets and liabilities where deemed practical. As at 31 December, gold accounts were as follows:

	2015		2014	
	SR	Grams (in 24 karat)	SR	Grams (in 24 karat)
Gold asset – inventories	805,684,210	6,285,130	807,942,436	5,583,520
Gold asset – receivables	309,554,015	2,414,826	246,585,883	1,704,102
Gold liability – payables	(400,334)	(3,123)	(4,846,918)	(33,496)
Gold liability – loans	(1,114,782,660)	(8,696,402)	(1,049,615,311)	(7,253,428)
Net gold assets	55,231	431	66,090	698

Gold market price was SR 128.19 per gram in 24 karat gold as at 31 December 2015 (2014: SR 144.71 per gram) and USD 1,063.25 per ounce in 24 karat gold as at 31 December 2015 (2014: USD 1,200.25 per ounce).

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group transactions are principally in Saudi Riyals, Euros, US Dollars and Egyptian Pounds. Management monitors the fluctuations in currency exchange rates, and the effect of the currency fluctuation has been accounted for in the consolidated financial statements.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group is subject to interest rate risk on its interest bearing assets and liabilities, including bank deposits and loans.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Group, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated balance sheet.

The Group seeks to limit its credit risk with respect to customers by setting credit limit for individual customers and monitoring outstanding receivables. Receivables comprise a large number of customers mainly within the Kingdom of Saudi Arabia, United Arab Emirates, State of Qatar and the Arab Republic of Egypt.

26. RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

27. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Impairment of accounts receivable

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of the past due receivables.

At the reporting date, gross accounts receivable were SR 399,843,318 with SR 9,934,972 being maintained as provision for doubtful debts (2014: gross accounts receivable of SR 292,540,150 with provision for doubtful debt of SR 12,746,908). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of income.

Impairment of inventories

Inventory consists of gold and other items. Gold is valued at market price. Other inventory items are held at the lower of cost and market value. When gold inventories become old or obsolete, an estimate is made for the melting cost for all non-sellable inventory items that would need to be molten or reworked to be used again in production. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated cost for melting or rework.

At the balance sheet date, gross inventories were SR 992,981,082 (2014: SR 992,289,110) with provision for melting costs and slow moving inventory items amounting to SR 17,336,206 (2013: SR 14,758,751) held there against. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of income. The provisions against inventories comprise the following:

- Provision for gold melting cost;
- Provision for slow moving diamond jewellery and loose diamonds; and
- Provision for other slow moving inventory items

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

Management reviews the useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Zakat and income tax

Significant judgment is required in determining the provision for zakat and income tax. There are many transactions and calculations for which the ultimate zakat and income tax determination is uncertain. The Group recognises liabilities for anticipated zakat and income tax based on estimation of whether additional zakat and income tax will be due.

28. CONTINGENT LIABILITIES

The Group's bankers have issued letters of guarantees amounting to SR 689,000 (2014: SR 855,000) in respect of its operations and are outstanding at the reporting date.

29. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 24 Rabi Thani 1437H, (corresponding to 3 February 2016).

30. COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year.