L'azurde Company for Jewelry and its Subsidiaries
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

Building a better working world

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

Scope of audit

We have audited the accompanying consolidated balance sheet of L'azurde Company for Jewelry - a Saudi Joint Stock Company (the "Company") and its subsidiaries (together the "Group") as at 31 December 2016 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 the requirements 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 2016 and its consolidated results of operations and its consolidated 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

Waleed G. Tawfiq
Certified Public Accountant
Registration No. 437

PROFESSIONAL LICENCE No. 45
ERNST & YOUNG

Riyadh: 15 Jumad Thani 1438H
(14 March 2017)

L'azurde Company for Jewelry and its Subsidiaries
(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET
As at 31 December 2016

	Notes	*2016 SR*	*2015 SR*
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	38,518,470	173,438,279
Cash margin deposits	5	170,955,709	116,672,019
Accounts receivable	6	424,993,112	389,908,346
Inventories	7	805,705,663	975,644,876
Prepayments and other receivables	8	30,106,526	36,580,839
TOTAL CURRENT ASSETS		1,470,279,480	1,692,244,359
NON-CURRENT ASSETS			
Property, plant and equipment	10	68,313,293	75,197,606
Intangible assets	11	424,143	-
TOTAL NON-CURRENT ASSETS		68,737,436	75,197,606
TOTAL ASSETS		1,539,016,916	1,767,441,965
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable, accrued expenses and other liabilities	12	60,576,514	111,214,761
Short-term loans	13	1,020,571,468	1,114,782,660
Zakat and income tax liability	14	22,551,098	18,034,654
TOTAL CURRENT LIABILITIES		1,103,699,080	1,244,032,075
NON-CURRENT LIABILITIES			
Employees' terminal benefits	15	31,706,277	31,398,243
Deferred tax liability	14	557,998	991,046
TOTAL NON-CURRENT LIABILITIES		32,264,275	32,389,289
TOTAL LIABILITIES		1,135,963,355	1,276,421,364
SHAREHOLDERS' EQUITY			
Share capital	16	430,000,000	430,000,000
Statutory reserve	17	17,265,738	10,056,720
Retained earnings		131,610,117	89,855,476
Foreign currency translation reserve	18	(175,822,294)	(38,891,595)
TOTAL SHAREHOLDERS' EQUITY		403,053,561	491,020,601
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,539,016,916	1,767,441,965

The consolidated financial statements have been approved by the Board of Directors on 14 March 2017 and signed on their behalf by:

....	....	....
F. Ayman Gamil	Selim Chidiac	Wassim M Al Khatib
Chief Financial Officer	Chief Executive Officer	Authorized Board Member

The attached notes 1 to 31 form an integral part of these consolidated financial statements.

L'azurde Company for Jewelry and its Subsidiaries
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2016

		Notes	2016 SR	2015 SR
Revenue:	Gold		1,612,905,847	2,284,094,159
	Operations		405,396,857	530,103,887
			2,018,302,704	2,814,198,046
Cost of revenue:	Gold		(1,612,905,847)	(2,284,094,159)
	Operations		(161,502,272)	(190,778,631)
			(1,774,408,119)	(2,474,872,790)
GROSS PROFIT			243,894,585	339,325,256
EXPENSES				
Selling and marketing expenses		19	(134,175,266)	(137,402,874)
General and administration expenses		20	(42,790,703)	(52,444,432)
			(176,965,969)	(189,847,306)
INCOME FROM MAIN OPERATIONS			66,928,616	149,477,950
Financial charges, net		13	(34,405,815)	(34,896,412)
Other income, net		21	58,434,152	4,282,627
INCOME BEFORE ZAKAT AND INCOME TAX			90,956,953	118,864,165
Zakat		14	(17,562,193)	(14,311,093)
Income tax		14	(1,304,585)	(3,985,875)
NET INCOME FOR THE YEAR			72,090,175	100,567,197
Earnings per share				
Attributable to income from main operations		22	1.56	3.48
Attributable to net income		22	1.68	2.34

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)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	Notes	*2016 SR*	*2015 SR*
OPERATING ACTIVITIES			
Income before zakat and income tax		**90,956,953**	118,864,165
Adjustments for:			
Depreciation	10	**10,603,422**	9,901,048
Employees' terminal benefits expense	15	**4,235,554**	7,950,272
Doubtful debts expense (reversal)	19	**2,355,868**	(5,174,952)
Loss (gain) on disposal of property, plant and equipment	21	**81,506**	(194,689)
Melting costs and charge for slow moving inventory items		**(441,261)**	2,577,455
Intangible assets written off	11	**-**	299,999
Impairment of prepayments	21	**-**	1,551,366
		107,792,042	135,774,664
Changes in operating assets and liabilities:			
Accounts receivable		**(37,440,634)**	(104,940,152)
Inventories		**170,380,474**	(691,972)
Prepayments and other receivables		**6,474,313**	(7,629,310)
Accounts payable, accrued expenses and other liabilities		**(18,764,763)**	16,831,322
Short-term gold loans		**(111,211,192)**	65,167,349
Cash margin deposits		**(54,283,690)**	104,391,329
Net cash generated from operations		**62,946,550**	208,903,230
Zakat paid	14	**(12,869,911)**	(12,423,861)
Income tax paid	14	**(175,394)**	-
Employees' terminal benefits paid	15	**(2,729,285)**	(4,731,888)
Net cash generated from operating activities		**47,171,960**	191,747,481
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	**(25,155,969)**	(25,006,656)
Proceeds from disposal of property, plant and equipment		**1,770,592**	4,170,502
Additions to intangible assets		**(424,143)**	-
Net cash used in investing activities		**(23,809,520)**	(20,836,154)
FINANCING ACTIVITIES			
Proceeds of short-term cash loans	13	**17,000,000**	-
Dividends paid	26	**(55,000,000)**	(43,000,000)
Net cash used in financing activities		**(38,000,000)**	(43,000,000)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(14,637,560)**	127,911,327
Cash and cash equivalents at the beginning of the year		**173,438,279**	62,554,885
Foreign currency translation adjustments, net		**(120,282,249)**	(17,027,933)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**38,518,470**	173,438,279

Ayman Gamil Chief Financial Officer	Selim Chidiac Chief Executive Officer	Wassim M Al Khatib Authorized Board Member

The attached notes 1 to 31 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2016

	Share capital SR	*Statutory reserve SR*	*Retained earnings SR*	*Foreign currency translation reserve SR*	*Total SR*
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 (note 17)	-	10,056,720	(10,056,720)	-	-
Dividends (note 26)	-	-	(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
Net income for the year	-	-	72,090,175	-	72,090,175
Transferred to statutory reserve (note 17)	-	7,209,018	(7,209,018)	-	-
Dividends (note 26)	-	-	(23,126,516)	-	(23,126,516)
Foreign currency translation adjustments, net	-	-	-	(136,930,699)	(136,930,699)
Balance at 31 December 2016	**430,000,000**	**17,265,738**	**131,610,117**	**(175,822,294)**	**403,053,561**

Ayman Gamil
Chief Financial Officer

Selim Chidiac
Chief Executive Officer

Wassim M Al Khatib
Authorized Board Member

The attached notes 1 to 31 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 numbered 1010221531 and dated 26 Jumad Thani 1427H (corresponding to 22 July 2006). The Company is 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 Company's other permissible activities include 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 Kingdom of Saudi Arabia, 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 beneficial interest %*	*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 shareholder of LCJ LLC, the Company is entitled to 98% of the economic benefits of LCJ LLC.

Effective 1 January 2017, the Group's consolidated financial statements will be prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA"). Upon IFRS adoption, the Group will be required to comply with the requirements of IFRS 1 - First-time Adoption of International Financial Reporting Standards for the reporting periods starting 1 January 2017. In preparing the opening IFRS consolidated financial statements, the Group will analyze impacts and incorporate certain adjustments due to the first time adoption of IFRS.

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. Significant accounting policies adopted by the Group are summarized as follows:

Accounting convention
The accompanying consolidated financial statements have been prepared under the historical cost convention modified to include the measurement of gold asset and liability accounts at market value.

Use of estimates
The preparation of consolidated financial statements in accordance 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The actual results ultimately may differ from those 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 when considered uncollectible.

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 net realizable 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.

Net realizable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories (continued)
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 accumulated impairment in value. Freehold land is not depreciated. The cost less estimated residual value of other items of 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 consolidated statement of 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 estimated 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-financial assets
The Group periodically reviews the carrying amounts of their non-financial assets to determine whether there is any indication that those assets have suffered any impairment loss. When 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 the 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 is recognized in the consolidated statement of income.

For all non-financial assets except goodwill, 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. Impairment recorded against the carrying value of goodwill is not reversed subsequently.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat and income tax (continued)
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 to the Group's employees under the Saudi Arabian labor law or other local laws applicable to employees' accumulated periods of service at the balance sheet date.

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

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 consolidated 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.

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 consolidated balance sheet date are translated into Saudi Riyals using the 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 consolidated balance sheet 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 as a separate component of the shareholders' equity.

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

4. CASH AND CASH EQUIVALENTS

	2016 SR	2015 SR
Cash in hand and bank balances	38,415,070	166,254,784
Short-term deposits	103,400	7,183,495
	38,518,470	173,438,279

5. CASH 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

	2016 SR	2015 SR
Trade receivables	434,713,598	399,843,318
Less: provision for doubtful debts	(9,720,486)	(9,934,972)
	424,993,112	389,908,346

7. INVENTORIES

By component:

	2016 SR	2015 SR
Gold	680,365,993	835,470,179
Diamonds, stones and pearls	126,333,475	137,781,650
Materials and accessories	15,901,140	19,729,253
	822,600,608	992,981,082
Less: provision for melting costs and slow moving inventory items	(16,894,945)	(17,336,206)
	805,705,663	975,644,876

By stage of completion:

	2016 SR	2015 SR
Finished goods	520,558,129	605,457,817
Raw material	299,182,823	385,298,463
Work in progress	2,859,656	2,224,802
	822,600,608	992,981,082
Less: provision for melting costs and slow moving inventory items	(16,894,945)	(17,336,206)
	805,705,663	975,644,876

7. INVENTORIES (continued)

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

	2016	*2015*
	SR	*SR*
Prepayments	**17,619,597**	16,732,162
Advances to suppliers	**8,705,533**	13,328,842
Advances to employees	**1,773,872**	3,121,433
Accrued income	**124,080**	402,276
Other receivables	**1,883,444**	2,996,126
	30,106,526	36,580,839

9. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Group include major shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by such parties. Following is the details of the related party balances as at end of the year and the related party transactions during the year:

	Nature of transactions	*Amount of transactions*		*Balances*	
		2016	*2015*	***2016***	*2015*
		SR	*SR*	***SR***	*SR*
Due from related parties					
Parent					
L'azurde Holding Company	Costs recharged and amounts collected by the Company	**208,000**	-	-	-
Parent of L'azurde Holding Company					
Gulf Fifth Gemstone Saudi Company	Costs recharged and amounts collected by the Company	**343,312**	-	-	-

9. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	Nature of transactions	*Amount of transactions*		*Balances*	
		2016	*2015*	***2016***	*2015*
		SR	*SR*	***SR***	*SR*
Due to related parties					
Parent					
L'azurde Holding Company	Amount deducted by the Company from employees on behalf of the Parent Company relating to the incentive plan	-	-	-	2,827,551
	Payments by the Company in relation to the incentive plan	**(2,827,551)**	-	-	-
Other affiliates					
Board of Directors (note 12)	Remuneration	**819,090**	-	**315,990**	-
	Consultancy fee	**251,250**	-	**125,625**	-

During previous years, certain senior employees of the Group were granted a management incentive plan by the immediate parent company of the Group whereby these employees were granted units at the fair value of the Company's shares (from the perspective of selected employees) at the grant date, with the unit values linked to the equity price of the Company. Amount due to the Parent Company as at 31 December 2015 represents the amount deducted by the Group from the employees (being partial consideration of the units acquired by the employees) to be paid over to the immediate parent company. 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%	Motor vehicles	25%	Leasehold improvements	Useful life of the improvements or the term of the lease, whichever is shorter
Machinery and equipment	10%	Office equipment	15% to 50%		
Furniture and fixtures	15%	Tools, dies and other assets	15% to 25%		

	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	Construction work in progress SR	**Total 2016 SR**	Total 2015 SR
Cost:											
At the beginning of the year	593,901	74,590,251	65,757,636	15,688,499	10,476,622	28,259,551	14,114,672	18,823,133	-	**228,304,265**	233,222,853
Reclassification	-	(2,907,259)	-	-	-	505,940	(505,940)	120,048	2,787,211	-	-
Additions	-	214,304	7,964,788	501,966	76,000	1,701,353	112,101	5,980,860	8,604,597	**25,155,969**	25,006,656
Disposals	-	-	(737,930)	(8,939)	(236,368)	(770,737)	-	(600,173)	(1,486,697)	**(3,840,844)**	(26,355,522)
Currency translation differences	(276,671)	(2,076,334)	(7,913,885)	(1,301,067)	(1,040,409)	(5,454,937)	(1,085,499)	(4,097,514)	(5,301,873)	**(28,548,189)**	(3,569,722)
At the end of the year	317,230	69,820,962	65,070,609	14,880,459	9,275,845	24,241,170	12,635,334	20,226,354	4,603,238	**221,071,201**	228,304,265
Accumulated depreciation:											
At the beginning of the year	-	39,227,003	50,791,116	13,806,280	7,176,714	23,607,421	11,629,538	6,868,587	-	**153,106,659**	167,553,593
Reclassification	-	(9,581)	121	-	-	70,437	(70,525)	9,548	-	-	-
Depreciation charge for the year	-	1,312,182	2,223,512	497,550	1,406,626	2,044,699	341,867	2,776,986	-	**10,603,422**	9,901,048
Relating to disposals	-	-	(637,955)	(2,533)	(236,363)	(740,535)	-	(371,360)	-	**(1,988,746)**	(22,379,709)
Currency translation differences	-	(825,379)	(1,068,383)	(859,151)	(622,519)	(3,759,341)	(787,229)	(1,041,425)	-	**(8,963,427)**	(1,968,273)
At the end of the year	-	39,704,225	51,308,411	13,442,146	7,724,458	21,222,681	11,113,651	8,242,336	-	**152,757,908**	153,106,659
Net book values:											
As at 31 December 2016	**317,230**	**30,116,737**	**13,762,198**	**1,438,313**	**1,551,387**	**3,018,489**	**1,521,683**	**11,984,018**	**4,603,238**	**68,313,293**	
As at 31 December 2015	593,901	35,363,248	14,966,520	1,882,219	3,299,908	4,652,130	2,485,134	11,954,546	-		75,197,606

10. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2016 *SR*	*2015* *SR*
Cost of revenue	**4,914,416**	4,612,696
Selling and marketing expenses (note 19)	**3,620,285**	3,361,071
General and administration expenses (note 20)	**2,068,721**	1,927,281
	10,603,422	9,901,048

11. INTANGIBLE ASSETS

The balance as at 31 December 2016 represents franchise license fee (paid during 2016) amortized on a straight-line basis over its estimated useful life of 5 years. During 2015, the Group decided to fully expense an intangible asset amounting to SR 299,999.

12. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

	2016 *SR*	*2015* *SR*
Accrued expenses	**25,804,179**	47,124,402
Trade accounts payable	**25,354,208**	20,950,602
Accrued financial charges	**4,326,655**	4,835,776
Employee payables	**1,524,255**	923,473
Amounts due to related parties (note 9)	**441,615**	2,827,551
Unrealised gain on gold revaluation	**593**	1,533
Dividend payable (note 26)	-	31,873,484
Other payables	**3,125,009**	2,677,940
	60,576,514	111,214,761

13. SHORT-TERM LOANS

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

Type of loan	*2016* *SR*	*2015* *SR*
Murabaha gold loan	**906,881,904**	1,114,782,660
Commodity netting gold loan	**68,716,653**	-
Gold loan	**27,972,911**	-
Cash loan	**17,000,000**	-
	1,020,571,468	1,114,782,660

13. SHORT-TERM LOANS (continued)

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

	2016 *SR*	*2015* *SR*
At the beginning of the year	**1,114,782,660**	1,049,615,311
Borrowings during the year	**9,739,226,595**	10,453,760,693
Repayments during the year	**(9,833,437,787)**	(10,388,593,344)
At the end of the year	**1,020,571,468**	1,114,782,660

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 for the year amounts to SR 17,562,193 (2015: SR 14,311,093), and is based on following:

	2016 *SR*	*2015* *SR*
Equity	**506,785,680**	461,218,483
Opening provisions and other adjustments	**54,513,616**	40,522,804
Book value of long-term assets	**(68,737,436)**	(75,197,606)
	492,561,860	426,543,681
Zakatable income for the year	**37,735,590**	137,739,514
Zakat base	**530,297,450**	564,283,195

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.

Zakat charge for the year consists of the following:

	2016 *SR*	*2015* *SR*
Provision for the year	**13,257,436**	14,107,080
Adjustments relating to previous years	**4,304,757**	204,013
	17,562,193	14,311,093

Movement in the provision

Following is the movement of zakat provision during the year:

	2016 *SR*	*2015* *SR*
At the beginning of the year	**15,039,825**	13,152,593
Charge for the year	**17,562,193**	14,311,093
Payments during the year	**(12,869,911)**	(12,423,861)
At the end of the year	**19,732,107**	15,039,825

14. ZAKAT AND INCOME TAX (continued)

b) Status of zakat assessments

The Company has filed the zakat returns and paid zakat for all the years up to 2015 and obtained respective zakat certificates. The Company received an assessment for the year 2004 which was finalized and settled. During March 2017, the Company received zakat assessments for the years 2005 to 2014 with additional zakat liability of approximately SR 10.6 million. 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. Under the Saudi Arabian Zakat regulations, the Company has the right to file an appeal against such assessments within 60 days from receiving the assessments.

c) Income tax relating to foreign subsidiaries

The income tax pertains to ORO Egypt Company ("ORO") and LCJ LLC where tax has been accrued on their estimated taxable profit at 22.5 percent and 10 percent, respectively.

The movements in income tax liability balance were as follows:

	2016 *SR*	*2015* *SR*
At the beginning of the year	**2,994,829**	-
Charge for the year	**900,990**	2,994,829
Payments during the year	**(175,394)**	-
Net foreign exchange differences	**(901,434)**	-
At the end of the year	**2,818,991**	2,994,829

The movements in deferred tax liability balance during the year were as follows:

	2016 *SR*	*2015* *SR*
At the beginning of the year	**991,046**	-
Charge for the year	**403,595**	991,046
Net foreign exchange differences	**(836,643)**	-
At the end of the year	**557,998**	991,046

The tax charge for the year consists of:

	2016 *SR*	*2015* *SR*
Income tax	**900,990**	2,994,829
Deferred tax	**403,595**	991,046
	1,304,585	3,985,875

d) Status of assessments

ORO (the "Subsidiary"), 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. The Subsidiary 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 and no assessment has been raised for these years yet. The Subsidiary has paid all the taxes due on its non-exempt activities till date.

L'azurde Company for Jewellery LLC, 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 2015.

15. EMPLOYEES' TERMINAL BENEFITS

	2016 *SR*	*2015* *SR*
At the beginning of the year	31,398,243	28,938,869
Charge for the year	4,235,554	7,950,272
Payments during the year	(2,729,285)	(4,731,888)
Net foreign exchange differences	(1,198,235)	(759,010)
At the end of the year	31,706,277	31,398,243

16. SHARE CAPITAL

Share capital is divided into 43,000,000 shares (2015: 43,000,000 shares) of SR 10 each.

During 2015, the shareholders of the Company resolved to increase the share 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.

17. STATUTORY RESERVE

In accordance with Saudi Arabian Regulations for Companies and Company's By-Laws, 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 16).

18. FOREIGN CURRENCY TRANSLATION RESERVE

There has been a significant increase in the negative exchange translation reserve of the Group as at 31 December 2016, which is due to the effect of significant devaluation of Egyptian Pound during 2016 (especially during the three-month period ended 31 December 2016), as Egyptian operations of the Group has significant net assets.

19. SELLING AND MARKETING EXPENSES

	2016 *SR*	*2015* *SR*
Advertisements and promotional activities	36,253,060	46,286,321
Gold calibration charges	35,237,874	31,992,476
Salaries and employees' benefits	23,429,314	25,883,398
Sales commissions	11,620,327	14,794,114
Rent (note 23)	10,804,533	9,114,235
Depreciation (note 10)	3,620,285	3,361,071
Doubtful debts charge (reversal)	2,355,868	(5,174,952)
Travel expenses	1,484,817	1,885,548
Insurance expenses	1,056,791	1,300,255
Other expenses	8,312,397	7,960,408
	134,175,266	137,402,874

20. GENERAL AND ADMINISTRATION EXPENSES

	2016 SR	*2015* SR
Salaries and employees' benefits	**31,962,255**	39,479,562
Consultancy and professional fees	**2,950,931**	3,748,716
Depreciation (note 10)	**2,068,721**	1,927,281
Travel expenses	**1,400,183**	1,982,900
Printing, stationery and communication expenses	**813,112**	949,941
Repairs and maintenance expenses	**651,738**	679,966
Charity and donations	**15,000**	15,000
Other expenses	**2,928,763**	3,661,066
	42,790,703	52,444,432

21. OTHER INCOME / (EXPENSE), NET

	2016 SR	*2015* SR
Gain from foreign currency exchange differences, net (note 21.1)	**60,785,677**	7,260,458
Loss on closure of showroom	-	(549,189)
Impairment of prepayments	-	(1,551,366)
(Loss) gain on disposal of property, plant and equipment	**(81,506)**	194,689
Bank charges	**(934,062)**	(1,055,837)
Miscellaneous	**(1,335,957)**	(16,128)
	58,434,152	4,282,627

21.1 This mainly includes unrealized foreign exchange gains resulting from revaluation of intercompany monetary liabilities denominated in Egyptian Pound (as shown in below table) and realized foreign exchange losses relating to the Group's operation in Egypt as a result of the significant devaluation of Egyptian Pound during 2016 (especially during the three-month period ended 31 December 2016).

	2016 SR	*2015* SR
Unrealized intercompany gains from foreign currency – net	**59,812,785**	10,316,974

22. 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 2016 was 43 million shares (2015: 43 million shares).

The earnings per share attributable to income from main operations has decreased by 55 percent to SR 1.56 per share for the year ended 31 December 2016 from SR 3.48 per share for the year ended 31 December 2015.

23. OPERATING LEASES

Rent expenses are related to operating leases. During 2016, an amount of SR 10,804,533 (2015: SR 9,114,235) was recognised as an expense in the consolidated statement of income in respect of operating leases (note 19).

24. 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:

	Wholesale SR	*Retail SR*	*Total SR*
As of and for the year ended 31 December 2016:			
Revenue: Gold	**1,612,905,847**	**-**	**1,612,905,847**
Operations	**322,809,033**	**82,587,824**	**405,396,857**
Gross profit	**216,735,734**	**27,158,851**	**243,894,585**
Net book value of property, plant and equipment	**59,093,958**	**9,219,335**	**68,313,293**
Total assets	**1,477,463,993**	**61,552,923**	**1,539,016,916**
Total liabilities	**1,131,134,828**	**4,828,527**	**1,135,963,355**
As of and for the year ended 31 December 2015:			
Revenue: Gold	2,284,094,159	-	2,284,094,159
Operations	445,915,893	84,187,994	530,103,887
Gross profit	312,421,895	26,903,361	339,325,256
Net book value of property, plant and equipment	68,495,884	6,701,722	75,197,606
Total assets	1,704,782,716	62,659,249	1,767,441,965
Total liabilities	1,268,590,754	7,830,610	1,276,421,364

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

Geographical segments	*Kingdom of Saudi Arabia SR*	*Egypt SR*	*UAE SR*	*Qatar SR*	*Total SR*
As of and for the year ended 31 December 2016:					
Revenue: Gold	**639,486,000**	**806,697,057**	**137,548,227**	**29,174,563**	**1,612,905,847**
Operations	**217,026,456**	**151,556,773**	**29,581,474**	**7,232,154**	**405,396,857**
Non-current assets	**46,579,765**	**15,731,459**	**6,426,212**	**-**	**68,737,436**
As of and for the year ended 31 December 2015:					
Revenue: Gold	832,495,698	1,157,884,381	282,780,008	10,934,072	2,284,094,159
Operations	252,382,682	222,343,230	52,716,999	2,660,976	530,103,887
Non-current assets	44,686,209	23,836,942	6,674,455	-	75,197,606

25. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Financial instruments comprise financial assets and financial liabilities. The Group's financial assets consist of cash and cash equivalents, cash margin deposits and accounts and other receivables. Financial liabilities of the Group consist of accounts and other payables, accruals and short-term loans. The fair values of financial instruments of the Group at the consolidated balance sheet date are not materially different from their carrying values.

26. DIVIDENDS

On 21 Jumad Awal 1437H (corresponding to 1 March 2016) the general assembly approved to distribute interim cash dividend of SR 0.538 per share with total amount of SR 23,126,516. This dividend was paid on 20 Jumad Thani 1437H (corresponding to 29 March 2016).

On 4 Muharram 1437H (corresponding to 17 October 2015) the Board of Directors recommended and approved to distribute interim cash dividend of SR 0.741 per share with total amount of SR 31,873,484. This dividend was paid on 20 Jumad Thani 1437H (corresponding to 29 March 2016). In the meeting dated 21 Jumad Awal 1437H (corresponding to 1 March 2016), the general assembly approved dividend of SR 31,873,484.

On 13 Sha'aban 1436H (corresponding to 31 May 2015) the Board of Directors recommended and approved to distribute interim cash dividend of SR 1 per share with total amount of SR 43 million. In the meeting dated 2 Muharrum 1437H (corresponding to 15 October 2015), the general assembly approved dividend of SR 43 million which was paid to the shareholders during 2015.

27. 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:

	2016		*2015*	
	SR	***Grams (In 24 karat)***	*SR*	*Grams (in 24 karat)*
Gold asset – inventories	**664,117,068**	**4,748,272**	805,684,210	6,285,130
Gold asset – receivables	**339,455,429**	**2,427,022**	309,554,015	2,414,826
Gold liability – payables	**-**	**-**	(400,334)	(3,123)
Gold liability – loans	**(1,003,571,468)**	**(7,175,261)**	(1,114,782,660)	(8,696,402)
Net gold assets	**1,029**	**33**	55,231	431

Gold market price was SR 139.87 per gram in 24 karat gold as at 31 December 2016 (2015: SR 128.19 per gram) and USD 1,160.10 per ounce in 24 karat gold as at 31 December 2016 (2015: USD 1,063.25 per ounce).

27. RISK MANAGEMENT (continued)

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 transacts principally in Saudi Riyals, Euros, US Dollars and Egyptian Pounds. Management regularly 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, the United Arab Emirates, the State of Qatar and the Arab Republic of Egypt.

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 a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

28. 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 434,713,598 with SR 9,720,486 being maintained as provision for doubtful debts (2015: gross accounts receivable of SR 399,843,318 with provision for doubtful debt of SR 9,934,972). Any difference between the amounts actually collected in future periods and the amounts expected to be collected 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 net realizable 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.

28. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of inventories (continued)
At the consolidated balance sheet date, gross inventories were SR 822,600,608 (2015: SR 992,981,082) with provision for melting costs and slow moving inventory items amounting to SR 16,894,945 (2015: SR 17,336,206) held there against. Any difference between the amounts actually realised in future periods and the amounts expected to be realised will be recognised in the consolidated statement of income. The provisions against inventories include 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.

29. CONTINGENT LIABILITIES

The Group's bankers have issued letters of guarantees amounting to SR 2,074,245 (2015: SR 689,000) in respect of its operations and are outstanding at the reporting date.

30. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 15 Jumad Thani 1438H, (corresponding to 14 March 2017).

31. COMPARATIVE FIGURES

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