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

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

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

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
A SAUDI JOINT STOCK COMPANY

RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the L'azurde Company for Jewelry (the "Company") and its Subsidiaries (together "the Group") as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

We have audited the consolidated financial statements of the Group, which comprise of the following:

- The consolidated statement of financial position as at 31 December 2023;
- The consolidated statement of profit or loss for the year then ended
- The consolidated statement of comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended, and;
- The notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent from the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
A SAUDI JOINT STOCK COMPANY

RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

KEY AUDIT MATTERS (continued)

Key Audit Matters	How our audit addressed the key audit matter
1. Revenue Recognition- Revenue from operation	
With reference to the accounting policy relating to the revenue recognition – revenue from operations, the Group's revenues from operations for the year ended 31 December 2023 amounted to SAR 471.6 million (31 December 2022: SAR 518.7 million). Revenue from operations is a key indicator of performance measurement, resulting in inherent risks in the revenue recognition process through revenue overstatements. Revenue from operations is recognized at point of time when product and services are provided to customer. Due to the inherent risks in the revenue recognition – revenue from operations process and the significance of revenue from operation value, revenue recognition of products and services was considered as a key audit matter. Refer note 5 and 23 of accounting policy relating to revenue from operation and disclosure in the consolidated financial statement.	We have performed the following procedures: - Assessment of the appropriateness of the Group's revenue from operations recognition policy based on IFRS 15 "Revenue from contracts with customers". - Evaluation of the design and implementation and operating effectiveness of key controls in relation to the recognition of revenue from operations; - Performing a test of a sample of recorded revenue from operations transactions and compared them with supporting documents to verify the occurrence of recorded revenue from operations; - Inspecting a test of a sample of contract with customers to evaluate the contractual arrangements and other supporting documents; - Inquired from the management representatives regarding fraud awareness and the existence of any actual fraud cases; and - Assessing the adequacy and appropriateness of the disclosures made in the consolidated financial statements.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

KEY AUDIT MATTERS (continued)

2. Goodwill impairment assessment	
The carrying value of goodwill as at 31 December 2023, amounting to SAR 110 million (31 December 2022: SAR 110 million) relates to acquisition of Izdiad Commercial Company of Arabia in financial year 2018. The management performed a goodwill assessment on annual basis by comparing the carrying amount of cash generating unit ("CGU") including goodwill, against its recoverable amount based on value-in-use ("VIU") calculations, using discounted cash flow model through the use of cash flow projections approved by management. The Group's VIU calculation used in the goodwill impairment assessment includes significant judgments, assumptions and estimates from management regarding cash flow projections, growth rates and discount rates, and is sensitive to changes in these assumptions, and, thus was considered as a key audit matter. Please refer to the summary of significant accounting policies No. 5 for the policy of goodwill and note No. 10 that includes disclosures related to goodwill and impairment assessment of goodwill.	We have performed the following procedures: - Evaluating the competence, capabilities and objectivity of management expert; - Gain an understanding the scope of work of management expert; - Evaluating the appropriateness of the management expert' work as audit evidence; - Testing of input data used in the VIU calculation on a sample basis, reviewing the mathematical accuracy of the calculation and comparing key assumptions with previous actual results; - Seeking the assistance of an external expert and evaluating his competence, capabilities and objectivity for the purposes under review; - Evaluating the appropriateness and reasonableness of the results or conclusions of the auditors expert who was used and their consistency with other audit evidence; and - Evaluating the suitability of information and disclosures related to the goodwill.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another firm of chartered accountants who expressed a modified opinion on those statements dated 1 Ramadan 1444H, corresponding to 23 March 2023. The basis for the modified opinion of predecessor auditor was as follows:

> *"We noted during our audit that selling and marketing expenses in the consolidated statement of profit or loss for the year ended 31 December 2022 include gold calibration costs of SAR 37,212,886 (31 December 2021: SAR 30,677,129). Gold calibration costs represent costs incurred to refine low carat gold collected from customers as settlement of their gold receivables. In our view, gold calibration costs are production related costs and therefore should be capitalized as part of the cost of inventory, and expensed in profit or loss when the inventory is sold. We were unable to determine the necessary adjustments to the cost of revenue and closing inventory on the consolidated financial statements for the current year and prior year, respectively."*

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REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OTHER INFORMATION

Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA and Regulations for Companies and the Company's Bylaws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group financial reporting process.

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
A SAUDI JOINT STOCK COMPANY

RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for direction, supervision and performance of group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Al-Bassam & Co.

البسام وشركاؤه
محاسبون قانونيون
رقم الترخيص ٥٢٠/١١/٣٢٣
C.R.1010385804
license 520/11/323
Al-Bassam & Co.
Certified Public Accountants

Ibrahim Al Bassam
Certified Public Accountant
License No. 337
Riyadh: 25 Ramadhan 1445H
Corresponding to: 04 April 2024

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	31 December 2023	31 December 2022
		SAR	SAR
ASSETS			
Non-Current Assets			
Property and equipment	7	**55,319,601**	58,785,688
Right-of-use-assets	8	**42,365,188**	39,450,481
Intangible assets	9	**25,914,177**	26,573,499
Goodwill	10	**109,977,851**	109,977,851
Other non-current assets		**1,706,197**	1,653,454
Total Non-Current Assets		**235,283,014**	236,440,973
Current Assets			
Gold		**762,881,350**	748,817,853
Inventories	11	**170,512,841**	163,364,028
Accounts receivable	12	**52,126,288**	48,277,520
Accounts and other receivables - Gold	13	**370,810,045**	328,495,129
Other current assets	14	**40,542,101**	44,730,052
Gold margins	15	**69,404,945**	53,004,309
Cash and cash equivalents	16	**47,767,378**	59,103,028
Total Current Assets		**1,514,044,948**	1,445,791,919
TOTAL ASSETS		**1,749,327,962**	1,682,232,892
EQUITY AND LIABILITIES			
Equity			
Share capital	17	**575,000,000**	575,000,000
Statutory reserve	18	**30,890,573**	27,807,194
Retained earnings		**43,337,629**	34,820,675
Foreign currency translation reserve	37	**(288,756,358)**	(248,176,726)
Total Equity		**360,471,844**	389,451,143
Liabilities			
Non-Current Liabilities			
Employees' end of service benefits	19	**31,975,499**	28,466,702
Lease liabilities	8	**25,758,168**	24,192,042
Deferred tax liability	20	**1,024,098**	1,047,303
Total Non-Current Liabilities		**58,757,765**	53,706,047
Current Liabilities			
Accounts payable - Gold	21	**1,219,666,614**	1,143,586,093
Accounts payable and other current liabilities	22	**68,958,589**	60,879,724
Current portion of lease liabilities	8	**14,252,729**	9,282,969
Due to related parties	31	**737,776**	511,698
Dividend payable		**659,053**	385,719
Zakat and income tax liability	29	**25,823,592**	24,429,499
Total Current Liabilities		**1,330,098,353**	1,239,075,702
Total Liabilities		**1,388,856,118**	1,292,781,749
TOTAL EQUITY AND LIABILITIES		**1,749,327,962**	1,682,232,892
Contingencies and commitments	32		

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

Selim Chidiac   Sabah Al Moayyed

The annexed notes from 1 – 41 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 PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	31 December 2023 SAR	31 December 2022 SAR
REVENUE			
Gold		**1,445,393,397**	1,480,898,604
Operations	23	**471,570,880**	518,728,317
		1,916,964,277	1,999,626,921
COST OF REVENUE			
Gold		**(1,445,393,397)**	(1,480,898,604)
Operations	24	**(171,666,071)**	(191,685,094)
GROSS PROFIT		**299,904,809**	327,043,223
OPERATING EXPENSES			
Selling and marketing expenses	25	**(126,106,888)**	(144,917,403)
General and administrative expenses	26	**(48,921,567)**	(49,692,584)
Gold calibration expenses		**(41,544,821)**	(43,073,623)
Provision for expected credit losses		**(213,039)**	(3,754,298)
OPERATING PROFIT		**83,118,494**	85,605,315
OTHER EXPENSES			
Other expenses – net	27	**(1,029,603)**	(1,270,330)
Finance costs – net	28	**(36,237,568)**	(31,950,783)
PROFIT BEFORE ZAKAT AND INCOME TAX		**45,851,323**	52,384,202
Zakat	29	**(7,219,514)**	(9,821,907)
Income tax	29	**(7,798,023)**	(8,400,427)
NET PROFIT FOR THE YEAR		**30,833,786**	34,161,868
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the parent		**30,833,786**	34,161,868
EARNINGS PER SHARE:			
Basic	30	**0.54**	0.59
Diluted	30	**0.54**	0.59

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

The annexed notes from 1 – 41 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 OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	31 December 2023 SAR	31 December 2022 SAR
NET PROFIT FOR THE YEAR	**30,833,786**	34,161,868
OTHER COMPREHENSIVE (LOSS) / INCOME		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement on employees' end of service benefits (see note 19)	**(1,011,025)**	482,615
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**(40,579,632)**	(83,624,047)
Other comprehensive loss for the year – net of tax	**(41,590,657)**	(83,141,432)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(10,756,871)**	(48,979,564)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:		
Equity holders of the parent	**(10,756,871)**	(48,979,564)

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

The annexed notes from 1 – 41 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 CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Total
	SAR	SAR	SAR	SAR	SAR
Balance at 1 January 2023	575,000,000	27,807,194	34,820,675	(248,176,726)	389,451,143
Net profit for the year	-	-	30,833,786	-	30,833,786
Other comprehensive loss for the year	-	-	(1,011,025)	(40,579,632)	(41,590,657)
Total comprehensive income / (loss) for the year	-	-	29,822,761	(40,579,632)	(10,756,871)
Transfer to statutory reserve	-	3,083,379	(3,083,379)	-	-
Dividends (note 36)	-	-	(17,250,000)	-	(17,250,000)
Other distribution (note 36)	-	-	(972,428)	-	(972,428)
BALANCE AT 31 DECEMBER 2023	575,000,000	30,890,573	43,337,629	(288,756,358)	360,471,844
Balance at 1 January 2022	575,000,000	24,391,007	19,356,855	(164,552,679)	454,195,183
Net profit for the year	-	-	34,161,868	-	34,161,868
Other comprehensive income / (loss) for the year	-	-	482,615	(83,624,047)	(83,141,432)
Total comprehensive income / (loss) for the year	-	-	34,644,483	(83,624,047)	(48,979,564)
Transfer to statutory reserve	-	3,416,187	(3,416,187)	-	-
Dividends (note 36)	-	-	(14,375,000)	-	(14,375,000)
Other distribution (note 36)	-	-	(1,389,476)	-	(1,389,476)
BALANCE AT 31 DECEMBER 2022	575,000,000	27,807,194	34,820,675	(248,176,726)	389,451,143

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

The annexed notes from 1 – 41 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 CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	31 December 2023 SAR	31 December 2022 SAR
OPERATING ACTIVITIES			
Profit before zakat and income tax		**45,851,323**	52,384,202
Adjustments to reconcile profit before zakat and income tax to net cash from operating activities:			
Depreciation of property and equipment	7	**10,014,537**	13,376,860
Depreciation of right-of-use assets	8	**21,378,067**	26,351,292
Amortization of intangible assets	9	**2,610,399**	2,627,983
Provision for employees' end of service benefits	19	**3,384,640**	3,819,928
Provision for expected credit losses		**213,039**	3,754,298
Finance costs	28	**36,237,568**	31,950,783
(Gain) / loss on sale of property and equipment	27	**(12,682,154)**	337,150
Melting costs and charge for slow moving inventory	11	**2,583,132**	1,900,849
Foreign currency exchange differences - net		**6,592,612**	(3,547,028)
Operating cash flows before changes in working capital		**116,183,163**	132,956,317
Net changes in working capital:			
Gold		**(14,063,497)**	(89,169,621)
Inventories		**(21,798,995)**	(15,737,197)
Accounts receivable		**(5,297,931)**	(14,048,225)
Accounts and other receivables – Gold		**(45,616,388)**	(96,058,782)
Other current assets		**(1,107,390)**	(4,281,122)
Gold margin		**(16,400,636)**	(16,973,154)
Accounts payable - Gold		**76,080,521**	202,201,557
Accounts payable and other current liabilities		**12,360,029**	10,339,618
Cash generated from operating activities		**100,338,876**	109,229,391
Employees' end of service benefits paid	19	**(1,485,746)**	(4,988,718)
Finance costs paid - Accounts Payable - Gold		**(27,452,095)**	(24,730,337)
Income taxes paid		**(3,091,227)**	(5,830,052)
Zakat paid		**(7,955,741)**	(6,967,095)
Net cash generated from operating activities		**60,354,067**	66,713,189
INVESTING ACTIVITIES			
Purchase of property and equipment	7	**(16,799,962)**	(9,148,679)
Proceeds from sale of property and equipment		**18,278,390**	179,640
Purchase of intangible assets	9	**(2,049,955)**	(1,437,952)
Other non-current assets		**(52,743)**	586,479
Net cash used in investing activities		**(624,270)**	(9,820,512)
FINANCING ACTIVITIES			
Repayments of lease liabilities	8	**(22,015,992)**	(27,405,687)
Finance costs paid – cash facilities		**(3,557,847)**	(3,162,365)
Cash margins		**-**	96,000
Dividends and other distribution paid	36	**(18,222,428)**	(15,494,642)
Net cash used in financing activities		**(43,796,267)**	(45,966,694)
Net change in cash and cash equivalents		**15,933,530**	10,925,983
Cash and cash equivalents at beginning of the year		**59,103,028**	74,501,484
Exchange differences on cash and cash equivalents		**(27,269,180)**	(26,324,439)
Cash and cash equivalents at end of the year		**47,767,378**	59,103,028
Non-cash transactions			
Increase in lease liabilities and right of use assets		**28,533,984**	28,139,107

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

The annexed notes from 1 – 41 form an integral part of these Consolidated Financial Statements

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

L'azurde Company for Jewelry (the "Company", "Parent Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010221531 and dated 26 Jumad Thani 1427H (corresponding to 22 July 2006). The Company's head office is located in Second Industrial Area, P.O. Box 41270, Riyadh 11521, Kingdom of Saudi Arabia.

The Company and its subsidiaries (together referred to as the "Group") are engaged in the production, manufacturing, forming and forging of golden wares, jewelry, precious stones and golden alloys in accordance with the ministerial resolution number 1354/S and dated15 Rabi Thani 1429H corresponding to 21 April 2008. The Group's other permissible activities include distribution of glasses, watches, accessories, pens, perfumes, leather products and export of gold wares, alloys and silver.

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

The Parent Company directly or indirectly owns 100% as at 31 December 2023 (31 December 2022: 100%) share capital in each subsidiary except L'azurde Company for Jewellery LLC ("LCJ Qatar") in the State of Qatar. The direct ownership of the Parent Company in LCJ Qatar is 49% (31 December 2022: 49%), however, based on the agreement with the nominee shareholder of LCJ Qatar, the Parent Company is entitled to 98% of the economic benefits of LCJ Qatar.

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

a) ORO Egypt for Manufacturing Precious Metals ("ORO")
ORO is a Joint Stock Company incorporated in the Arab Republic of Egypt under Commercial Registration number 7877 dated 27 January 2003. The principal activities of ORO are gold jewelry manufacturing and trading.

b) L'azurde Egypt for Jewellery LLC ("LJ Egypt")
LJ Egypt is a Limited Liability Company incorporated in the Arab Republic of Egypt under Commercial Registration number 14997 dated 08 June 2005. The principal activities of LJ Egypt are gold jewelry manufacturing and trading.

c) L'azurde Company for Jewellery LLC ("LCJ Dubai")
LCJ Dubai is a Limited Liability Company incorporated in the United Arab Emirates (Dubai) under Commercial Registration number 620369 dated 23 December 2008. The principal activity of LCJ Dubai is trading of gold jewelry items.

d) L'azurde Jewellery LLC ("LJ Abu Dhabi")
LJ Abu Dhabi is a Limited Liability Company incorporated in the United Arab Emirates (Abu Dhabi) under Commercial Registration number 1060233 dated 1 June 2004. The principal activity of LJ Abu Dhabi is trading of gold jewelry items.

e) L'azurde Company for Jewellery LLC ("LCJ Qatar")
LCJ Qatar is a Limited Liability Company incorporated in the State of Qatar under Commercial Registration number 60716 dated 21 May 2013. The principal activity of LCJ Qatar is trading of gold jewelry items.

f) Almujwharat Almasiah LLC ("AA")
AA is a Limited Liability Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration number 1010236734 dated 25 Rajab 1428H (corresponding to 8 August 2007). The principal activities of AA are trading of gold and silver products and precious stones.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (continued)

g) Kenaz LLC ("Kenaz")

Kenaz is a Limited Liability Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration number 1010352574 dated 21 Dhul Qadah 1433H (corresponding to 6 October 2012). The principal activities of Kenaz are trading of gold and silver products and precious stones.

h) L'azurde Group for Gold and Jewellery DMCC ("L'azurde DMCC")

L'azurde DMCC is a Limited Liability Company registered with Dubai Multi Commodities Centre Authority, UAE under Trade License number DMCC 108442 dated 26 February 2015. The principal activity of L'azurde DMCC is trading of pearls, precious stones, and gold jewellery.

i) L'azurde Jewellery LLC ("LJ Oman")

LJ Oman is a Limited Liability Company registered in the Sultanate of Oman under Commercial Registration number 1320525 dated 30 May 2018. The principal activity of LJ Oman is manufacturing, and trading of jewelry made from precious metals or stones.

j) Izdiad Commercial Company of Arabia ("Izdiad")

Izdiad is a Limited Liability Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 1010458294 dated 25 Dhul Hijjah 1439 (corresponding to 5 September 2018). The principal activity of Izdiad is the trading of jewellery, perfume, men and women accessories, leather products and managing franchises and trademarks.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements include consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, and notes to the consolidated financial statements. These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") (here and after referred to as "IFRS as endorsed in Saudi Arabia").

3. BASIS OF PREPARATION

Basis of measurement

These consolidated financial statements have been prepared under historical cost basis as explained in the relevant accounting policies summarized below, except for employees' end of service benefits provision which has been valued by an independent professional actuary and certain financial assets and financial liabilities which are measured at fair value.

Basis of consolidation

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

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which controls commences until the date on which control ceases.

The Group controls an investee when it has:

a. Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
b. Exposure, or rights, to variable returns on the investor from its involvement with the investee; and
c. The ability to use its power over the investee to affect its returns.

The subsidiaries' operations results are included in consolidated profit or loss and other comprehensive income from the date of owning them, which is the date on which the control commences.

3. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

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

Business combinations
The Group accounts for the business combination using the acquisition method when the control is transferred to the Group.

The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired. The consideration transferred does not include amounts related to the settlement of pre-existing relationship. Such amounts are generally recognized in consolidated statement of profit or loss and other comprehensive income. Contingent consideration payable is measured at fair value at the acquisition date if the contingent consideration was classified as equity. As a result, any transactions are treated through equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in consolidated statement of profit or loss and other comprehensive income.

The excess of the cost of acquisition and amount of non-controlling interest if any over the fair value of the identifiable net assets acquired is recorded as goodwill in the consolidated statement of financial position. Any goodwill that arises is tested annually for impairment.

Functional and presentation currency
The consolidated financial statements are presented in Saudi Riyal (SAR), which is also the functional and presentation currency of the Parent Company. All amounts have been rounded-off to the nearest Saudi Riyal unless otherwise stated.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in accordance with IFRSs applicable in the Kingdom of Saudi Arabia requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Areas involving higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are as follows:

Provision for expected credit losses of accounts receivable
The Group uses an allowance matrix to measure the ECLs of trade receivables from Group customers. The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of and applying experienced credit judgment.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

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

Management reviews the useful lives, residual values, or depreciation method for property and equipment annually. Future depreciation expense would be adjusted where management believes that useful lives, residual values, or depreciation method differ from those used in previous periods.

Amortization of intangible assets
The Group's management determines the estimated useful lives, residual values, and impairment indicators for intangible assets annually. Intangible assets with infinite useful lives are checked annually for impairment. Amortization is reviewed annually and adjusted where management believes that future estimates will differ from those used in previous periods.

Inventories
Management estimates the net realizable values of inventories, considering the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future events or other market-driven changes that may reduce or increase future selling prices.

When inventory items become old or obsolete, an estimate is made for their market value. For significant items, this estimation is performed on an individual basis. Inventory items which are not individually significant, but are old or obsolete, are assessed collectively and a provision is applied based on inventory type, degree of ageing or obsolescence, and anticipated selling price.

Impairment of non-financial assets
The Group's management periodically reviews the carrying amounts of non-financial assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated 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 the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment is recognized in the consolidated statement of profit or loss.

Provision for zakat and taxes
In making estimates for the zakat and tax payable by the Group, management considers applicable laws and past decisions and judgments of the Zakat, Tax and Customs Authority ("ZATCA") in Kingdom of Saudi Arabia and the regulations of relevant Tax Authorities in all the jurisdictions where the Group operates.

Provision for employees' end of service benefits
The liabilities relating to defined benefit plans are determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of annual reporting period. The method involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of these benefits, such estimates are subject to certain uncertainties. Significant assumptions used to carry out the actuarial valuation have been disclosed in note 19 to these consolidated financial statements.

Fair value measurement
A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values. The Company regularly reviews significant unobservable inputs and valuation adjustments. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

Fair value measurement (continued)

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements are prepared on the going concern basis.

5. MATERIAL ACCOUNTING POLICIES

New Standards, Amendment to Standards and Interpretations:

New and amended IFRS issued and effective in year 2023

The accounting policies applied by the Group in these consolidated financial statements for the year ended 31 December 2023 are consistent with those applied by the Group in its consolidated financial statements for the year ended 31 December 2022, except for the following International Financial Reporting Standards amendments and improvements that become effective after 1 January 2023:

Amendments to standards	Description	Effective from accounting period beginning on or after	Summary of amendment
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements.
IAS 8	Amendment to the definition of accounting estimate	1 January 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023	These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences
IAS 12	International tax reform (pillar two model rules)	1 January 2023	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

5. MATERIAL ACCOUNTING POLICIES (continued)

The Group's management believes that the new standards or amendments effective from 1 January 2023 do not have a material effect on the Group's financial statements. For new and amended IFRS standards issued but not yet effective, please refer note 6.

Property and equipment

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

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

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

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

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

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

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

The Group applies the following useful lives for depreciation to its property and equipment:

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

Capital work in progress (CWIP)

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

5. MATERIAL ACCOUNTING POLICIES (continued)

Right-of-use assets and lease liabilities
A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- The Group has the right to obtain substantially all the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- The Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset.

Measurement and recognition of leases
At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the return rate implicit in the lease if that rate is readily available or the Group's incremental financing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Intangible assets and goodwill

Intangible assets
An intangible asset is initially recognized at cost which is equal to the fair value of consideration paid at the time of acquisition of the asset. The Group applies the following estimated useful lives for amortization of intangible assets:

Asset Category	Life in years
Franchise agreement	20
Computer software	2 - 5

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

5. MATERIAL ACCOUNTING POLICIES (continued)

Intangible assets and goodwill (continued)

Goodwill
Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the Consolidated Statement of Profit or Loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

An impairment loss is recognized for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures is directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

- Other raw materials, consumables and other manufacturing materials are determined at purchase costs on weighted average basis.
- Work in progress and finished goods are determined at cost of direct material, labor and overheads based on a normal level of activity.

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

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

5. MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments

Recognition and derecognition
Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets
Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled, or expires.

Classification and initial measurement of financial assets
Except for those accounts receivable that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs, where applicable.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:
- amortized cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

In the periods presented the Group does not have any financial assets categorized as FVOCI. The classification is determined by both:
- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of accounts receivable which is presented separately in the consolidated statement of profit or loss.

Subsequent measurement of financial assets

Financial assets at amortized cost
Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, accounts receivable collected in cash and most other receivables and cash margins placed with banks fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)
Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists. Accounts and other receivables to be collected in physical gold are classified under FVTPL.

5. MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets (continued)

Subsequent measurement of financial assets (continued)

Financial assets at fair value through other comprehensive income (FVOCI)
The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- They are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognized in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Impairment of financial assets
The Group assesses on forward looking basis the Expected Credit Losses (ECL) for the impairment of financial assets.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Accounts and other receivables
For accounts and other receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the accounts receivable. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

Other financial assets such as receivable from employees, bank balances and cash and gold margin deposits have low credit risk and the impact of applying ECL is not significant to the Group.

Financial Liabilities

Classification and measurement of financial liabilities
The Group's financial liabilities carried at amortized cost include short term cash facilities, accounts payable and other current liabilities. Accounts payable - gold to be repaid by physical gold are designated as liabilities at FVTPL.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

5. MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial Liabilities (continued)

Classification and measurement of financial liabilities (continued)
All interest-related costs and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments and hedge accounting
Derivative financial instruments, if any, are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Group applies hedge accounting for transactions that meet specific criteria. In order to qualify for hedge accounting, the hedge should be expected to be highly effective i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objective and strategy is documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. Prospective testing is performed mainly through matching the critical terms of both hedge item and instrument.

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

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

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

Employees' end of service benefits
Employee end of service benefits are payable to all employees employed under the terms and conditions of the Labor Laws applicable on the Company and its subsidiaries, on termination of their employment contracts.

The entitlement to these benefits is based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Provision is made annually based on valuation done by an independent professional actuary, in accordance with the requirements of IAS 19 "Employee Benefits" using Projected Unit Credit Method. Last valuation was carried out on 31 December 2023.

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

5. MATERIAL ACCOUNTING POLICIES (continued)

Zakat and taxes

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

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

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

Dividends

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

Revenue

Revenue is recognized when the Group transfers the significant risks and rewards of ownership to the customer and cash recovery of the consideration is probable, when the associated costs and costs of goods can be estimated reliably, and there is no continuing management control over the goods.

Revenue is measured based on the consideration specified in a contract with a customer. To determine whether to recognize revenue, the Group follows a 5-steps process in accordance with IFRS 15 as follows:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations in the contract; and
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue from Gold

Revenue from sale of gold refers to the value of gold weight sold to the wholesale customers. Revenue is recognized at the time of issuing invoices and delivering the quantities of jewelry stated in the invoices and when the Group has performed its obligation as agreed in the contract, at the spot price of gold in the international markets.

Revenue from gold and cost of revenue from gold are equal and offsetting each other as the gold used in jewelries sold to customers is valued at the international gold prices prevailing on the date of each transaction, without adding any margin.

Revenue from Operations

Revenue from operations refers to the value-added component of the jewelry piece namely labor service charge, value of additions, sales of diamond jewelry and other revenues generated through wholesale and retail channels.

Revenue from operations is recognized in accordance with the fair value of the consideration received or receivable at the time the performance obligation is satisfied. The performance obligation is performed when the promised goods are delivered to the customers. Revenue represents the fair value of the consideration received or receivable for revenue from operations, net of discounts.

Foreign currency transactions

Transactions in foreign currencies are translated into Saudi Riyals (SAR) at the relevant exchange rates prevailing at the time of the respective transactions. At the reporting date monetary assets and liabilities denominated in foreign currencies are converted into SAR at the exchange rates ruling on such date. Any resulting exchange differences are charged or credited to consolidated statement of profit or loss.

5. MATERIAL ACCOUNTING POLICIES (continued)

Translation of foreign operations
As at the reporting date, the assets and liabilities of the subsidiaries are translated into Saudi Riyal (SAR), at the rate of exchange ruling at the consolidated statement of financial position date and their consolidated statements of profit or loss are translated at the average exchange rates for the year. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments in respect of these components of equity are recorded through consolidated statement of other comprehensive income as a separate component of equity.

Expenses
Selling, marketing, general and administration expenses include direct and indirect costs not specifically part of cost of operations. Allocations between cost of operations and selling, distribution, general and administration expenses, when required, are made on a consistent basis.

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

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

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:
- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Gold revaluation
Transactions denominated in gold are recorded in Saudi Riyals at the relevant market rates prevailing at the time of the respective transactions. The Group uses its gold liabilities as an economic hedge to mitigate the financial impact of the gold price fluctuations on gold assets held by the Group. Asset and liability balances denominated in gold, are revalued at the market price ruling at the consolidated statement of financial position date.

All fair value realized and unrealized gains and losses from revaluation of gold related items are recognized in the consolidated statement of profit or loss.

5. MATERIAL ACCOUNTING POLICIES (continued)

Basic and diluted earnings per share

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

Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' results are reviewed regularly by the Group's Executive Committee which makes decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

6. NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED

The Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

Amendments to standards	Description	Effective from accounting period beginning on or after	Summary of amendment
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information	1 January 2024	IFRS S1 is new standard requiring an entity to prepare and report sustainability-related financial disclosures in accordance with IFRS Sustainability Disclosure Standards. An entity may apply IFRS Sustainability Disclosure Standards irrespective of whether the entity's related general-purpose financial statements are prepared in accordance with IFRS Accounting Standards.
IFRS S2	Climate-related Disclosures	1 January 2024	The objective of IFRS S2 is to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity. These are climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term.

6. NEW AND REVISED IFRSS IN ISSUE BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED (continued)

Amendments to standards	Description	Effective from accounting period beginning on or after	Summary of amendment
IAS 1	Classification of liabilities as current or non-current	1 January 2024	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IFRS 16	Leases on sale and leaseback	1 January 2024	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024	These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.
IFRS 10 and IAS 28	Amendments to IFRS 10 and IAS 28	Deferred indefinitely	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses result from the loss of control of a subsidiary.
IAS 21	Lack of Exchangeability	1 January 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

Management anticipates that these new standards, interpretations, and amendments will be adopted in the Group's consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

7. PROPERTY AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Furniture and fixtures	Motor vehicles	Office equipment	Tools, dies and other assets	Leasehold improvements	Construction work in progress (*)	Total 2023
	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR
Cost:										
At the beginning of the year	261,000	82,612,142	67,971,621	25,980,940	8,289,658	25,646,468	13,097,987	44,937,748	174,788	268,972,352
Reclassifications	-	105,910	-	-	-	12,032	-	(68,534)	(49,408)	-
Additions	-	416,740	1,940,551	517,504	872,584	1,642,005	274,195	9,582,265	1,554,118	16,799,962
Disposals	-	(5,417,850)	-	(2,217,810)	(360,558)	(417,735)	-	(4,265,746)	-	(12,679,699)
Currency translation differences	(30,706)	(2,202,121)	(2,619,363)	(534,831)	(398,491)	(1,495,105)	(261,051)	(1,837,217)	(11,676)	(9,390,561)
At the end of the year	230,294	75,514,821	67,292,809	23,745,803	8,403,193	25,387,665	13,111,131	48,348,516	1,667,822	263,702,054
Accumulated depreciation:										
At beginning of the year	-	51,277,743	59,914,924	23,545,655	7,058,500	21,851,521	11,756,213	34,782,108	-	210,186,664
Reclassifications	-	33,171	-	(310)	-	209	-	(33,070)	-	-
Depreciation charge for the year	-	1,127,493	2,131,861	580,180	612,926	1,606,948	113,280	3,841,849	-	10,014,537
Relating to disposals	-	(614,020)	-	(2,026,225)	(343,243)	(364,104)	-	(3,735,871)	-	(7,083,463)
Currency translation differences	-	(341,192)	(1,240,306)	(272,061)	(215,862)	(1,235,190)	(223,547)	(1,207,127)	-	(4,735,285)
At the end of the year	-	51,483,195	60,806,479	21,827,239	7,112,321	21,859,384	11,645,946	33,647,889	-	208,382,453
Net book value:										
As at 31 December 2023	230,294	24,031,626	6,486,330	1,918,564	1,290,872	3,528,281	1,465,185	14,700,627	1,667,822	55,319,601

* Capital work in progress (CWIP) represents the value of the construction of buildings and branches of the Group. The remaining projects are expected to be completed in financial year 2024.

7. PROPERTY AND EQUIPMENT (continued)

	Land	Buildings	Machinery and equipment	Furniture and fixtures	Motor vehicles	Office equipment	Tools, dies and other assets	Leasehold improvements	Construction work in progress	Total 2022
	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR
Cost:										
At the beginning of the year	349,664	88,748,852	73,808,225	27,667,862	9,347,013	28,549,134	13,696,597	49,687,080	56,773	291,911,200
Transfer from CWIP	-	-	-	2,026	-	57,315	-	579,592	(638,933)	-
Additions	-	188,016	1,459,109	692,275	325,165	1,712,783	126,007	3,862,839	782,485	9,148,679
Disposals	-	(5,828)	-	(946,676)	(231,250)	(525,308)	-	(4,052,971)	(3,542)	(5,765,575)
Currency translation differences	(88,664)	(6,318,898)	(7,295,713)	(1,434,547)	(1,151,270)	(4,147,456)	(724,617)	(5,138,792)	(21,995)	(26,321,952)
At the end of the year	261,000	82,612,142	67,971,621	25,980,940	8,289,658	25,646,468	13,097,987	44,937,748	174,788	268,972,352
Accumulated depreciation:										
At beginning of the year	-	50,772,179	60,360,488	23,811,770	7,067,692	23,614,892	12,210,111	36,766,907	-	214,604,039
Depreciation charge for the year	-	1,403,461	2,782,750	1,312,611	713,445	2,017,785	158,626	4,988,182	-	13,376,860
Relating to disposals	-	-	-	(858,227)	(223,664)	(417,054)	-	(3,749,840)	-	(5,248,785)
Currency translation differences	-	(897,897)	(3,228,314)	(720,499)	(498,973)	(3,364,102)	(612,524)	(3,223,141)	-	(12,545,450)
At the end of the year	-	51,277,743	59,914,924	23,545,655	7,058,500	21,851,521	11,756,213	34,782,108	-	210,186,664
Net book value:										
As at 31 December 2022	261,000	31,334,399	8,056,697	2,435,285	1,231,158	3,794,947	1,341,774	10,155,640	174,788	58,785,688

7. PROPERTY AND EQUIPMENT (continued)

Depreciation charge for the year has been allocated as follows:

	Notes	**31 December 2023 SAR**	31 December 2022 SAR
Cost of operations	**24**	**2,979,251**	4,253,674
Selling and marketing expenses	**25**	**6,206,289**	8,020,950
General and administrative expenses	**26**	**828,997**	1,102,236
		10,014,537	13,376,860

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The movement in recognized right-of-use assets relates to the following classes of assets:

	Land SAR	**Buildings – shops SAR**	**Total SAR**
2023:			
At beginning of the year	**2,041,590**	**37,408,891**	**39,450,481**
Additions	**-**	**28,533,984**	**28,533,984**
Depreciation charge for the year	**(193,667)**	**(21,184,400)**	**(21,378,067)**
Currency translation differences	**-**	**(4,241,210)**	**(4,241,210)**
At end of the year	**1,847,923**	**40,517,265**	**42,365,188**
2022:			
At beginning of the year	2,235,258	47,561,938	49,797,196
Additions	-	28,139,107	28,139,107
Depreciation charge for the year	(193,668)	(26,157,624)	(26,351,292)
Currency translation differences	-	(12,134,530)	(12,134,530)
At end of the year	2,041,590	37,408,891	39,450,481

The movement in lease liability is as follows:

	Note	**31 December 2023 SAR**	31 December 2022 SAR
At beginning of the year		**33,475,011**	38,651,241
Additions		**28,533,984**	28,139,107
Finance costs	**28**	**3,899,922**	4,198,142
Payments		**(22,015,992)**	(27,405,687)
Currency translation differences		**(3,882,028)**	(10,107,792)
At end of the year		**40,010,897**	33,475,011

Lease liability maturity profile at end of the year is as follows:

Non-current portion of lease liabilities	**25,758,168**	24,192,042
Current portion of lease liabilities	**14,252,729**	9,282,969
Total lease liabilities	**40,010,897**	33,475,011

Expense relating to short-term leases was SAR 2.1 million (2022: SAR 2.2 million) (see note 24).

Maturity profile of lease liabilities:

Less than 1 year	**16,740,093**	13,003,982
More than 1 year less than 5 years	**27,111,577**	22,251,588
5 years onwards	**6,260,213**	11,056,121
Total undiscounted lease liabilities	**50,111,883**	46,311,691
Less: finance cost	**(10,100,986)**	(12,836,680)
Total lease liabilities	**40,010,897**	33,475,011
Discount rate used	**8% to 23%**	5% to 15%

9. INTANGIBLE ASSETS

	Notes	31 December 2023 SAR	31 December 2022 SAR
Franchise agreement and computer software	**9.1**	**25,914,177**	26,573,499

9.1 Franchise agreement and computer software:

	31 December 2023 SAR	31 December 2022 SAR
Gross carrying amount:		
As at 1 January	**42,015,980**	41,175,996
Additions	**2,049,955**	1,437,952
Currency translation differences	**(268,664)**	(597,968)
As at 31 December	**43,797,271**	42,015,980
Accumulated amortization:		
As at 1 January	**15,442,481**	13,221,262
Charge for the year	**2,610,399**	2,627,983
Currency translation differences	**(169,786)**	(406,764)
As at 31 December	**17,883,094**	15,442,481
Net carrying amount as at 31 December	**25,914,177**	26,573,499

10. GOODWILL

The goodwill relates to the acquisition of Izdiad Commercial Company of Arabia in 2018. Following is the movement in the net carrying amount of goodwill:

	31 December 2023 SAR	31 December 2022 SAR
Gross carrying amount:		
As at 1 January and 31 December	**109,977,851**	109,977,851
Accumulated impairment:		
As at 1 January and 31 December	**-**	-
Net carrying amount as at 31 December	**109,977,851**	109,977,851

Goodwill is subject to annual impairment testing. Assets are tested for impairment by comparing the carrying amount of each Cash-Generating Unit (CGU) to the recoverable amount which has been determined based on a value-in-use calculation using cash flow projections based on financial forecasts approved by Company's Board of Directors covering a period of 10 years. The forecast horizon should be of such length over which stabilized level of earnings are achieved by the business. In the approved forecasts prepared by the company, net profit in the first five years will grow at an average growth rate of 29%, which is considered high indicating that the company is still in a high growth phase and has not achieved a stabilized phase. In the last five years, net profit will grow at an average growth rate of 13% which indicates a relatively moderate and stable growth rate. Accordingly, the company has used a 10-year projection period.

A 10-year forecast period was used in the DCF valuation model due to Izdiad Commercial Company of Arabia's recent acquisition, significant post-acquisition changes in the commercial and legislative landscape impacting its operations, and a period of rapid growth and volatility in cash flows. While standard practice suggests a 5-year period, this extended horizon is necessary to capture the stabilization of cash flows and provide a more reliable calculation of terminal value, ensuring a fair and conservative valuation.

The discount rate applied to cash flow projections is 6.9% (2022: 6.7%), and it was further tested for sensitivity at 7.6% and above (2022: 7.6%). The terminal value and cash flows beyond the 10 years period are extrapolated using a 2.5% growth rate (2022: 2%).

10. GOODWILL (continued)

Key assumptions used in value-in-use calculations and sensitivity to changes in assumptions:

(a) **Sales growth assumption:** The anticipated annual revenue growth included in the cash flow projections has been based on historical experience and expectations of future changes in the market conditions.
(b) **Discount rate:** Discount rate reflects the current market assessment of the risk specific to CGU. The discount rate is estimated based on the Weighted Average Cost of Capital (WACC).
(c) **Growth rate used to extrapolate cash flows beyond the forecast period:** The expected long-term perpetual growth rate is the expected inflation rate as published by International Monetary Fund (IMF), specific to the country of operations of the CGU.

Sensitivity analysis:
With regards to the assessment of the value in use, management believes that the recoverable amount significantly exceeds the carrying value of the CGU and accordingly, no reasonably possible change in any of the key assumptions stated above would cause the carrying value of the CGU including goodwill, to materially exceed its recoverable amount. The Company has tested several higher discount rates above 6.9% and believes that reasonable changes in the discount rate and other key assumptions would not trigger recognition of impairment loss.

11. INVENTORIES

	31 December 2023 SAR	31 December 2022 SAR
By main components:		
Diamonds, stones, and pearls	**114,262,082**	110,451,360
Materials, accessories and others	**71,348,292**	71,270,944
	185,610,374	181,722,304
Less: Provision for melting and slow-moving items	**(15,097,533)**	(18,358,276)
	170,512,841	163,364,028
By stage of completion:		
Finished goods	**126,255,680**	132,022,174
Raw materials	**30,640,272**	21,395,704
Work in progress	**28,714,422**	28,304,426
	185,610,374	181,722,304
Less: Provision for melting and slow-moving items	**(15,097,533)**	(18,358,276)
	170,512,841	163,364,028

The movement in provision for melting and slow-moving inventory items is as follows:

	Note	**31 December 2023 SAR**	31 December 2022 SAR
At the beginning of the year		**18,358,276**	22,063,452
Charge for the year	**24**	**2,583,132**	1,900,849
Utilization during the year		**(5,374,787)**	(3,566,773)
Currency translation differences		**(469,088)**	(2,039,252)
At the end of the year		**15,097,533**	18,358,276

12. ACCOUNTS RECEIVABLE

	31 December 2023 SAR	31 December 2022 SAR
Accounts receivable - Gross	**65,342,720**	66,684,079
Provision for expected credit losses	**(13,216,432)**	(18,406,559)
Accounts receivable - Net	**52,126,288**	48,277,520

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

The Group applies the IFRS 9 simplified approach to measure expected credit losses and uses a lifetime expected loss provision for all Accounts receivable. See note 34.1 (b) for ageing analysis and credit risk of Accounts receivable, which explains how the Group manages and measures credit quality of accounts receivable.

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

	31 December 2023 SAR	31 December 2022 SAR
At beginning of the year	**18,406,559**	17,527,364
(Reversal) / charge for the year	**(3,360,220)**	6,031,464
Foreign exchange differences	**(1,829,907)**	(5,152,269)
At the end of the year	**13,216,432**	18,406,559

13. ACCOUNTS AND OTHER RECEIVABLES - GOLD

	31 December 2023 SAR	31 December 2022 SAR
Accounts and other receivables – Gold - Gross	**387,380,319**	341,763,931
Provision for expected credit losses	**(16,570,274)**	(13,268,802)
Accounts and other receivables – Gold - Net	**370,810,045**	328,495,129

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

The Group applies the IFRS 9 simplified approach to measure expected credit losses and uses a lifetime expected loss allowance for all Accounts and other receivables - Gold. See note 34.1 (b) on ageing analysis and credit risk of Accounts and other receivables - Gold, which explains how the Group manages and measures credit quality of Accounts and other receivables - Gold.

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

	31 December 2023 SAR	31 December 2022 SAR
At beginning of the year	**13,268,802**	17,196,911
Charge / (reversal) for the year	**3,573,259**	(2,277,166)
Foreign exchange differences	**(271,787)**	(1,650,943)
At the end of the year	**16,570,274**	13,268,802

14. OTHER CURRENT ASSETS

	31 December 2023 SAR	31 December 2022 SAR
Prepayments	**13,254,225**	16,590,402
Advances to suppliers	**9,522,393**	12,906,650
Refundable VAT and other balances	**7,419,955**	10,398,479
Advances to employees	**2,246,518**	2,462,802
Other receivables	**8,099,010**	2,371,719
	40,542,101	44,730,052

15. GOLD MARGINS

This balance represents the gold provided as margin against the Accounts payable - Gold (note 21).

16. CASH AND CASH EQUIVALENTS

	31 December 2023 SAR	31 December 2022 SAR
Cash in hand	**15,836,785**	11,564,514
Cash at banks	**31,930,593**	47,538,514
	47,767,378	59,103,028

17. SHARE CAPITAL

The authorized and paid-up share capital of the Company as at 31 December 2023 is SAR 575,000,000 (31 December 2022: SAR 575,000,000), divided into 57,500,000 shares (31 December 2022: 57,500,000 shares) with a face value of SAR 10 per share.

18. STATUTORY RESERVE

In accordance with Company's By-Laws, 10% of the net profit for the year shall be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of its share capital.

19. EMPLOYEES' END OF SERVICE BENEFITS

General description

The Group's policy provides for end of service benefits for all employees who complete the qualifying period of service in accordance with the Labor laws.

The annual provision is based on the actuarial valuations. The most recent actuarial valuation was performed by an independent actuary, using the Projected Unit Credit Method as at 31 December 2023.

The movement in employees' end of service benefits during the years are as follows:

	Note	31 December 2023 SAR	31 December 2022 SAR
At the beginning of the year		**28,466,702**	30,449,015
Charge for the year		**4,488,708**	4,383,186
Payments during the year		**(1,485,746)**	(4,988,718)
Actuarial loss / (gain)		**1,011,025**	(482,615)
Currency translation differences		**(505,190)**	(894,166)
At the end of the year		**31,975,499**	28,466,702

19. EMPLOYEES' END OF SERVICE BENEFITS (continued)

Principal actuarial assumptions:

Financial assumptions:		
Discount rate	**4.8% to 6.5%**	4.3% to 6.1%
Salary increase	**2% to 5%**	2.0% to 6.1%
Demographic assumption:		
Rate of employee turnover	**High**	High

Cost recognized in consolidated statement of profit or loss:

Service costs:	Note	**2023 SAR**	2022 SAR
• Current service cost		**3,384,640**	3,819,928
• Interest cost on defined benefit obligation	28	**1,104,068**	563,258
		4,488,708	4,383,186

Sensitivity analysis:
An increase or decrease of 1% in significant actuarial assumptions such as discount rate and salary increases will not result in a material increase or decrease in employees' end of service benefits liability.

20. DEFERRED TAX LIABILITY – NET

Deferred tax liability relates to taxable temporary differences of property and equipment balances in Group's operations in Egypt, being the temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. The movement during the year is as follows:

	31 December 2023 SAR	31 December 2022 SAR
At the beginning of the year	**1,047,303**	1,830,416
Charge for the year	**185,558**	114,444
Currency translation differences	**(208,763)**	(897,557)
At the end of the year	**1,024,098**	1,047,303

21. ACCOUNTS PAYABLE - GOLD

	31 December 2023 SAR	31 December 2022 SAR
Accounts payable - Gold	**1,219,666,614**	1,143,586,093

The Group procures its entire needs of gold for production exclusively from various banks under annual agreements covering gold purchases with agreed payment terms ranging from 1 to 3 months (2022: 1 to 3 months) and agreed profit rates. The settlement of the gold procured at the maturity dates is always made in gold and not in cash, while the profit margin is always settled in cash.

22. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	31 December 2023 SAR	31 December 2022 SAR
Accounts payable	**34,663,041**	29,566,374
Accrued expenses	**24,242,565**	19,394,415
Accrued financial costs	**893,253**	1,148,168
Employees payables	**766,580**	1,061,440
Other payables	**8,393,150**	9,709,327
	68,958,589	60,879,724

23. REVENUE

Revenue includes revenue from gold and revenue from operations. Revenue from gold relates to the value of gold weight used in making gold jewelry and sold through the wholesale channels. The Group does not generate any profit or loss from selling the gold metal component through wholesale channels as it is sold at the exact international gold prices without adding any margins. Revenue from operations represents the value-added component of the jewelry pieces sold, namely the labor service charge revenue, value of additions and other sources of revenue generated through wholesale channels, and gold and diamond jewelry sold through the retail channels. The revenue is recognized at a point of time. Revenue from operations can be analyzed as follows:

	31 December 2023		31 December 2022	
	SAR	**% of total**	SAR	% of total
On cash basis	**247,249,494**	**52.4%**	255,337,088	49.2%
On credit basis	**224,321,386**	**47.6%**	263,391,229	50.8%
Total revenue from operations	**471,570,880**	**100.0%**	518,728,317	100.0%

24. COST OF OPERATIONS

	Notes	**31 December 2023 SAR**	31 December 2022 SAR
Raw materials consumed		**121,862,864**	131,104,055
Salaries and employees' benefits		**38,028,615**	43,742,395
Depreciation of property and equipment	**7**	**2,979,251**	4,253,674
Melting costs and charge for slow-moving inventory	**11**	**2,583,132**	1,900,849
Other		**6,212,209**	10,684,121
		171,666,071	191,685,094

25. SELLING AND MARKETING EXPENSES

	Notes	**31 December 2023 SAR**	31 December 2022 SAR
Salaries and employees' benefits		**37,927,549**	35,857,851
Advertisements and promotional activities		**23,313,154**	31,110,834
Depreciation of right-of-use assets		**19,342,257**	23,884,627
Sales commissions		**15,783,824**	18,686,232
Depreciation of property and equipment	**7**	**6,206,289**	8,020,950
Rent	**8**	**2,129,955**	2,206,106
Travel expenses		**1,956,322**	1,768,741
Amortization of intangible assets		**1,943,373**	1,963,739
Insurance expenses		**1,006,023**	808,451
Other expenses		**16,498,142**	20,609,872
		126,106,888	144,917,403

26. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	31 December 2023 SAR	31 December 2022 SAR
Salaries and employees' benefits		**35,431,614**	35,714,672
Consultancy and professional fees		**2,575,871**	2,755,314
Travel expenses		**1,456,907**	1,226,846
Printing, stationery, and communication expenses		**999,923**	978,534
Depreciation of property and equipment	**7**	**828,997**	1,102,236
Repairs and maintenance expenses		**439,303**	649,361
Depreciation of right-of-use assets		**65,799**	126,109
Other expenses		**7,123,153**	7,139,512
		48,921,567	49,692,584

27. OTHER EXPENSES - NET

	31 December 2023 SAR	31 December 2022 SAR
Gain / (loss) on disposal of property and equipment	**12,682,154**	(337,150)
(Loss) / gain from foreign exchange differences – net	**(6,592,612)**	3,547,028
Bank charges	**(3,206,133)**	(2,692,330)
Miscellaneous	**(3,913,012)**	(1,787,878)
	(1,029,603)	(1,270,330)

28. FINANCE COSTS - NET

	Notes	31 December 2023 SAR	31 December 2022 SAR
Financing costs		**31,233,578**	27,189,383
Interest on lease liabilities	**8**	**3,899,922**	4,198,142
Interest cost on employees' end of service benefits	**19**	**1,104,068**	563,258
		36,237,568	31,950,783

29. ZAKAT AND INCOME TAX

Zakat charge and liability

Zakat is charged at the higher of net adjusted income or Zakat base as required by the ZATCA. The key elements of zakat base include equity components, net profit and liabilities adjusted for zakat purpose.

Zakat base	31 December 2023 SAR	31 December 2022 SAR
Equity	**619,405,441**	603,253,220
Opening provisions and other adjustments	**127,228,083**	125,959,784
Book value of long-term assets	**(524,039,372)**	(484,962,340)
	222,594,152	244,250,664
Zakatable income for the year	**53,136,202**	62,421,950
Zakat base	**275,730,354**	306,672,614

29. ZAKAT AND INCOME TAX (CONTINUED)

The movement in zakat liability is as follows:

	2023 SAR	2022 SAR
At the beginning of the year	**17,481,919**	14,627,107
Charge for the year	**7,219,514**	9,821,907
Payments	**(7,955,741)**	(6,967,095)
At the end of the year	**16,745,692**	17,481,919

Status of zakat assessments

The Company has filed the zakat returns for all the years up to 2022 and obtained respective zakat certificates.

The Company received an assessment for years 2015-2018 with a liability of approximately SAR 10.5 million in addition to the delay penalty, relating to a potential income tax liability on one of its previous shareholders. The Company appealed to the General Secretariat for Zakat, Tax and Customs Committees (GSTC). During the year, the Company received the final assessment for the years 2015-2018 with an amount of SAR 3 million which was settled by the concerned previous shareholder. No provision was created for this matter as the concerned previous shareholder is committed to cover any additional charges related to this matter.

Zakat assessments for years 2021 and 2022 have been finalized by ZATCA without any additional liability on the Company.

Income tax charge and liability

ORO Egypt Company ("ORO") and L'azurde Egypt for Jewellery LLC ("LJ Egypt") have accrued income tax on their estimated taxable profit at 22.5%. L'azurde Company for Jewellery LLC ("LCJ Qatar") and L'azurde Jewellery LLC ("LJ Oman") have accrued income tax on their estimated taxable profits, if any, at 10% and 15% respectively. Income tax charge for the year consists of the following:

	2023 SAR	2022 SAR
Income tax	**7,612,465**	8,285,983
Deferred tax	**185,558**	114,444
	7,798,023	8,400,427

The movement in income tax liability is as follows:

	2023	2022
At the beginning of the year	**6,947,580**	10,602,848
Charge during the year	**7,612,465**	8,285,983
Currency translation differences	**(2,390,918)**	(6,111,199)
Payments during the year	**(3,091,227)**	(5,830,052)
At the end of the year	**9,077,900**	6,947,580

29. ZAKAT AND INCOME TAX (CONTINUED)

Status of income tax assessments related to foreign subsidiaries

ORO, registered in Arab Republic of Egypt, was exempt from Corporate Income Tax until 31 December 2014 according to the Egyptian Law number 8 of the year 1997. ORO received tax assessments and settled its tax liabilities on non-exempt activities till the year 2014. ORO paid all taxes due on its non-exempt activities to date.

LJ Egypt, registered in Arab Republic of Egypt, was exempt from income tax on its commercial and manufacturing operations for a period of 10 years ended 31 December 2018. LJ Egypt paid all taxes due on its non-exempt activities to date.

L'azurde Jewellery LLC ("LJ Oman"), registered in the Sultanate of Oman, has filed its first tax returns up to year ended 31 December 2023 and no assessment has been received yet.

L'azurde Company for Jewellery LLC ("LCJ Qatar"), registered in the State of Qatar, has filed its tax returns for all years up to 2023 and the tax assessments for the company have been finalized up to 2015.

Lazurde Company for Jewellery LLC ("LCJ Dubai"), L'azurde Jewellery LLC ("LJ Abu Dhabi") and L'azurde Group for Gold and Jewellery DMCC ("L'azurde DMCC") are registered in the United Arab Emirates which is a tax-free country until year ended 31 December 2023, so no tax returns have been filed.

30. EARNINGS PER SHARE - BASIC AND DILUTED

Basic and diluted earnings per share	**31 December 2023**	31 December 2022
Net profit for the year attributable to equity holders of the parent (in SAR)	**30,833,786**	34,161,868
Weighted average number of ordinary shares during the year	**57,500,000**	57,500,000
Basic and diluted earnings per share (in SAR)	**0.54**	0.59

There is no dilution effect on the basic earnings per share of the Group as the Group has no convertible dilutive potential ordinary shares outstanding on 31 December 2023 (31 December 2022: nil).

31. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Group include shareholders, Board of Directors, key management personnel and entities of which they are principal owners.

The terms of the transactions with related parties are approved by the Group's management. Transactions with related parties are entered in the normal course of the Group's business. These balances are expected to be settled in the normal course of business. Pricing policies and terms of these transactions are at arm's length. Transactions with related parties during the year and the balances as at end of the year are as follows:

	Nature of transactions	**Amount of transactions**		**Balances**	
		December 2023 SAR	December 2022 SAR	**December 2023 SAR**	December 2022 SAR
Due to related parties:					
Board of Directors	Remuneration	**2,730,938**	2,724,000	**649,651**	1,358,422
Director	Consultancy	**352,500**	402,500	**88,125**	100,625
		3,083,438	3,126,500	**737,776**	1,459,047
Due from related parties:					
Board of Directors	Reversal of 2021 disapproved remuneration	**947,349**	-	**-**	(947,349)

31. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Remuneration of key management personnel:	31 December 2023 SAR	31 December 2022 SAR
Salaries	**4,915,632**	4,915,632
Allowances	**2,416,716**	2,416,716
Short-term incentive plans	**2,917,750**	3,200,625
	10,250,098	10,532,973

32. CONTINGENCIES AND COMMITMENTS

Contingencies:
The Group provided letters of guarantee amounting to SAR 7.4 million as at 31 December 2023 (31 December 2022: SAR 7.1 million) in relation to its operations.

The Group has provided a standby letter of credit to a bank amounting to SAR 420 million as at 31 December 2023 (31 December 2022: SAR 420 million) as security against procured gold.

Commitments:
The Group has SAR 2.7 million of commitments in respect of capital expenditures mainly relate to construction of retail branches as at 31 December 2023 (31 December 2022: SAR 4.4 million).

The Group has no commitments for gold forward contracts and for EUR forward currency contracts as at 31 December 2023 (31 December 2022: SAR 34 million and SAR 9 million respectively).

33. EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS

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

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

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

34. FINANCIAL INSTRUMENTS

34.1 Risk Management of Financial Instruments

The Group activities expose it to variety of financial risks; market risk (including gold price risk, currency risk and interest rate risk), liquidity risk and credit risk. The Group's overall risk management program focuses on the predictability of financial market and seeks to minimize potential adverse effect on the Group's financial performance. The Group's senior management carries out risk management under governance framework.

34. FINANCIAL INSTRUMENTS (continued)

34.1 Risk Management of Financial Instruments (continued)

a) 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 prices. The management minimizes its risk in gold by maintaining equal quantity of gold in assets and liabilities where deemed practical. As at 31 December gold accounts were as follows:

Net gold assets/(liabilities):	31 December 2023		31 December 2022	
	SAR	Grams (24 Karat)	SAR	Grams (24 Karat)
Gold – inventories (non-financial asset)	**762,975,886**	**3,068,477**	748,875,218	3,440,496
Gold asset – margins	**69,404,945**	**279,127**	53,004,309	243,514
Gold – accounts and other receivable	**387,380,319**	**1,557,936**	341,763,931	1,570,138
Gold liabilities – accounts payable	**(1,219,666,614)**	**(4,905,160)**	(1,143,586,093)	(5,253,882)
Net gold assets	**94,536**	**380**	57,365	266

The Group entered into a gold price forward contract at contracted gold rate of USD 1,748/ounce for a notional gold quantity of 310 ounces and USD 1,769/ounce for a notional quantity of 225 ounces. The fair value adjustment amounting to SAR 4.0 million was recognized through consolidated statement of profit or loss (2022: SAR 0.2 million).

b) 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.

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding accounts and other receivables and maintains accounts with reputable, creditworthy banks.

The Group has established policies and procedures for timely recovery of accounts and other receivables and mitigates its exposure and credit risk by applying specific controls in accordance with the Group's policies and procedures. The table below shows Group's maximum exposure to credit risk for the components of the consolidated statement of financial position:

	Notes	31 December 2023 SAR	31 December 2022 SAR
Accounts and other receivables - Gold	**13**	**370,810,045**	328,495,129
Accounts receivable	**12**	**52,126,288**	48,277,520
Gold margins	**15**	**69,404,945**	53,004,309
Bank balances	**16**	**31,930,593**	47,538,514
Other non-current assets		**1,706,197**	1,653,454
		525,978,068	478,968,926

Bank balances are held with banks having sound credit ratings ranging from B- and above.

The Accounts and other receivables - Gold and Accounts receivable are shown net of provision for expected credit losses. The Group applies the IFRS 9 simplified approach to measure expected credit losses and uses a lifetime expected loss provision for Accounts and other receivables - Gold and Accounts receivable. To measure the expected credit losses, Accounts and other receivables - Gold and Accounts receivable have been grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information based on macroeconomic factors affecting the ability of the customers to settle the receivable balances.

34. FINANCIAL INSTRUMENTS (continued)

34.1 Risk Management of Financial Instruments (continued)

b) Credit risk (continued)

As at 31 December, the ageing of Accounts and other receivables - Gold is as follows:

	31 December 2023 SAR	31 December 2022 SAR
Neither past due nor impaired	**276,595,815**	247,038,374
Past due but not impaired:		
(a) Less than 180 days	**85,055,092**	71,764,563
(b) 181 – 270 days	**6,529,182**	4,833,677
(c) 271 – 360 days	**415,323**	2,184,715
(d) 361 – 540 days	**663,736**	96,988
(e) Greater than 540 days	**1,550,897**	2,576,812
	370,810,045	328,495,129

The geographical breakdown of the Group's Accounts and other receivables - Gold is as follows:

Kingdom of Saudi Arabia	**370,571,244**	327,348,566
United Arab Emirates	**238,801**	1,146,563
Accounts and other receivables - Net	**370,810,045**	328,495,129

As at 31 December, the ageing of Accounts receivable is as follows:

	31 December 2023 SAR	31 December 2022 SAR
Neither past due nor impaired	**31,419,425**	25,708,851
Past due but not impaired:		
(a) Less than 180 days	**18,140,140**	15,976,678
(b) 181 – 270 days	**1,448,760**	1,651,311
(c) 271 – 360 days	**244,005**	1,244,242
(d) 361 – 540 days	**163,003**	384,639
(e) Greater than 540 days	**710,955**	3,311,799
	52,126,288	48,277,520

The geographical breakdown of the Group's Accounts receivable is as follows:

Kingdom of Saudi Arabia	**52,126,288**	48,069,690
United Arab Emirates	**-**	207,830
Accounts receivable - Net	**52,126,288**	48,277,520

c) Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. During the year, the Group undertook significant transactions in currencies other than Saudi Riyals such as US Dollar, Euros and Egyptian Pounds. Management regularly monitors the fluctuations in currency exchange rates and the effect of currency rates have been accounted for in the consolidated financial statements. Since Saudi Riyal is on a fixed parity with the US Dollar, the Group is mainly exposed to currency risk due to Egyptian Pound only. The quantitative data regarding the Group's exposure to currency risk arising from Egyptian Pound is as follows:

34. FINANCIAL INSTRUMENTS (continued)

34.1 Risk Management of Financial Instruments (continued)

c) Currency risk (continued)

	31 December 2023 SAR	31 December 2022 SAR
Cash and cash equivalents	**16,920,459**	31,533,142
Accounts receivable	**18,294,614**	11,111,794
Accounts payable and other current liabilities	**(11,376,878)**	(12,326,361)
Net statement of financial position exposure	**23,838,195**	30,318,575

A strengthening / (weakening) of the Egyptian Pound by 5% against Saudi Riyal would have affected the measurement of financial instruments denominated in Egyptian Pound and would have increased / (decreased) equity by SAR 1.1 million at year ended 31 December 2023 (31 December 2022: SAR 1.4 million). Please refer note 39.2.

The Group has entered into currency forward contracts for EUR against USD. The contracted exchange rate ranged from 1.01 to 1.10 with a notional amount of EUR 800,000 and the fair value adjustment amounting to SAR 0.6 million was recognized through consolidated statement of profit or loss (2022: SAR 1.0 million).

d) Market price risk

Market price risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from gold price risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Management is of the opinion that Group's exposure to market price risk is minimal.

e) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted and include estimated interest payments.

31 December 2023:	**Notes**	**0 - 12 months SAR**	**Over 12 months SAR**	**Total SAR**
Financial liabilities:				
Accounts payable - Gold	**21**	**1,219,666,614**	**-**	**1,219,666,614**
Accounts payable and other current liabilities	**22**	**68,958,589**	**-**	**68,958,589**
Lease liabilities	**8**	**14,252,729**	**25,758,168**	**40,010,897**
Total		**1,302,877,932**	**25,758,168**	**1,328,636,100**

31 December 2022:	Notes	0 - 12 months SAR	Over 12 months SAR	Total SAR
Financial liabilities:				
Accounts payable - Gold	21	1,143,586,093	-	1,143,586,093
Accounts payable and other current liabilities	22	60,879,724	-	60,879,724
Lease liabilities	8	9,282,969	24,192,042	33,475,011
Total		1,213,748,786	24,192,042	1,237,940,828

34. FINANCIAL INSTRUMENTS (continued)

34.1 Risk Management of Financial Instruments (continued)

f) Capital Management

The Board's policy is to maintain an efficient capital base to maintain investors, creditors, and market confidence and to sustain the future development of its business. The Board of Directors monitor the return on capital employed and the level of dividends to its shareholders.

The Group's objectives when managing capital are:

a) to safeguard the entity's ability to continue as a going concern; and
b) to provide adequate return to shareholders.

The Group strives to maintain a healthy level of debt while ensuring to meet its obligations and requirements for expansion and working capital. As the majority of the Group's debt is made of gold borrowing, any increase in the international prices of the gold metal would increase the Group's debt value and its gearing ratio while not necessarily reflecting an increase in the quantities borrowed. International gold price increased by 14% in the year 2023.

The Group's gearing ratio at year end is as follows:

	31 December 2023	31 December 2022
Accounts payable - gold	**1,219,666,614**	1,143,586,093
Less: Cash and cash equivalent	**(47,767,378)**	(59,103,028)
Net debt	**1,171,899,236**	1,084,483,065
Equity	**360,471,844**	389,451,143
Gearing ratio (%)	**325%**	279%

34.2 Fair value of financial assets and financial liabilities

Assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of fair value hierarchies. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2023:	**Fair value (in SAR)**			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Accounts and other receivables - Gold	**387,380,319**	**-**	**-**	**387,380,319**
Gold margins	**69,404,945**	**-**	**-**	**69,404,945**
Financial liability:				
Account payable - Gold	**1,219,666,614**	**-**	**-**	**1,219,666,614**

31 December 2022:	Fair value (in SAR)			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Accounts and other receivables - Gold	341,763,931	-	-	341,763,931
Gold margins	53,004,309	-	-	53,004,309
Financial liability:				
Account payable - Gold	1,143,586,093	-	-	1,143,586,093

35. SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to chief operating decision makers of the Group. The chief operating decision makers, who are responsible for allocating resources and assessing the performance of the operating segments, have been identified as the Executive Management and the Board of Director, who do not consider gold revenue when assessing the performance of segments as the Group does not make profits or losses from the value of sold gold as a metal, and the operations revenue better represents revenues of the Group. For management purpose, the Group is organized in the following operating and geographical segments:

A. Operating segments:

31 December 2023:	Wholesale SAR	Retail SAR	Total SAR
Revenues – Operations	**252,296,709**	**219,274,171**	**471,570,880**
Gross profit	**178,044,929**	**121,859,880**	**299,904,809**
Net book value of property and equipment	**41,042,482**	**14,277,119**	**55,319,601**
Total assets	**1,478,108,125**	**271,219,837**	**1,749,327,962**
Total liabilities	**(1,338,130,401)**	**(50,725,717)**	**(1,388,856,118)**
31 December 2022:			
Revenues - Operations	291,318,482	227,409,835	518,728,317
Gross profit	207,029,231	120,013,992	327,043,223
Net book value of property and equipment	50,706,779	8,078,909	58,785,688
Total assets	1,437,664,952	244,567,940	1,682,232,892
Total liabilities	(1,257,597,676)	(35,184,073)	(1,292,781,749)

B. Geographical segments:

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

	2023 SAR	2022 SAR
GCC countries	**237,244,208**	227,638,772
Arab Republic of Egypt	**234,326,672**	291,089,545
	471,570,880	518,728,317

36. DIVIDENDS

On 1 Dhul Hijjah 1444H (corresponding to 19 June 2023), the Extraordinary General Assembly approved distribution of cash dividends for the year 2022 amounting to SAR 17,250,000 (at SAR 0.3 per share) and the dividend was paid to shareholders on 13 July 2023.

On 1 Dhul Hijjah 1443H (corresponding to 30 June 2022), the Extraordinary General Assembly approved distribution of cash dividends for the year 2021 amounting to SAR 14,375,000 (at SAR 0.25 per share) and the dividend was paid to shareholders on 28 July 2022.

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

37. FOREIGN CURRENCY TRANSALATION RESERVE

During 2023, the Egyptian Pound (EGP) recorded an average 20.0% devaluation (2022: 36.5% devaluation) in exchange rate against the Saudi Riyal. As a result, currency translation adjustment has been recorded in relation to the translation of Group's foreign operations in Arab Republic of Egypt.

38. COMPLIANCE WITH SHARI'A RULES

In accordance with related Shari'a Standard, the Company's management has the following conclusions:

a) The Group's main operations of gold and jewelry manufacturing is a Shari'a compliant activity in principle;
b) All credit facilities availed by the Group from accounts payable - gold or cash facilities from banks are in compliance with the Shari'a standards; and
c) Cash sales through retail outlets and cash wholesale sales on credit are in compliance with Shari'a according to some Scholars and certain school of thoughts.

Shari'a opinions permit selling of gold jewelry on credit basis. This is the point of view of a group of scholars of Islamic jurisprudence, including Imam Ibn Taymiyah and his disciple Ibn al-Qayyim, which also includes a number of contemporary scholars, including a number of members of the Shari'a Board of AAOIFI, as well as issuance of Shari'a opinion by the Shari'a Advisory Committee of the Council of Saudi Chambers; based on a request of the National Committee for Precious Metals and Gemstones regarding sale of gold jewelry by gold traders and manufacturers, where their conclusion stipulated the permissibility of gold and silver credit sales between retailers and wholesalers and manufacturers, subject to the following guidelines:

- Ensures the permissibility of gold ornaments manufacturing;
- Ensures that fabricated ornament has significant value and not unreal cover to usury provisions; and
- Ensures that ornament's fabricated gold is required for purchase by itself and not only the pure gold.

This is one of the legitimate conclusions on dealing in the trade of gold jewelry and is not considered a breach of the Group's compliance with the Shari'a rules and does not affect the Shari'a classification of the Group's activities.

39. SUBSEQUENT EVENTS

39.1. On 18 Ramadan 1445H (corresponding to 28 March 2024), the Board of Directors proposed a distribution of cash dividends for the year 2023 amounting to SAR 17,250,000 (at SAR 0.30 per share). The proposed dividends are subject to approval of the shareholders in the upcoming Annual General Assembly.

39.2. At the date of authorization of the consolidated financial statements, the Egyptian Pound has been devalued by 35% since the closure of financial year 31 December 2023. It is difficult and impractical to estimate the financial effect of such devaluation at the date of authorization of the consolidated financial statements.

In the opinion of the management, except for what is stated in the above paragraph, there are no significant subsequent events since the year-end that require additional disclosure in these Consolidated Financial Statements.

40. RECLASSIFICATIONS

Certain comparative figures have been reclassified to conform to current year presentation which are majorly as follows:

	Amount	From	To
Goodwill	109,977,851	Intangible assets and goodwill	Separate line item under non current assets in SOFP
Gold	748,817,853	Inventories	Separate line item under current assets in SOFP
Accounts and other receivables – Gold	328,495,129	Accounts receivables and Other current assets	Separate line item under current assets in SOFP
Due to related parties	511,698	Accounts payable and other current liabilities	Separate line item under current liabilities in SOFP
Dividend payable	385,719	Accounts payable and other current liabilities	Separate line item under current liabilities in SOFP
Gold Calibration cost	43,073,623	Selling and marketing expenses	Separate line item in operating expenses

41. BOARD OF DIRECTORS APPROVAL

These Consolidated Financial Statements were approved by the Board of Directors on 18 Ramadan 1445H (Corresponding to 28 March 2024).