

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

**CONSOLIDATED FINANCIAL  
STATEMENTS AND AUDITORS'  
REPORT  
FOR THE YEAR ENDED  
31 DECEMBER 2017**

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

**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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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, Saudi Arabia

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of L'azurde Company for Jewelry (the "Company") and its Subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements taken as a whole present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as endorsed in the Kingdom of Saudi Arabia by the Saudi Organization for Certified Public Accountants (SOCPA) and other standards and pronouncements endorsed by SOCPA.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs), as 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 of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters (KAMs)**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current year. 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. For each key audit matter, a description of how our audit addressed the matter is set out below:

## Key Audit Matters (KAMs) (continued)

- 1. Adoption of International Financial Reporting Standards (IFRSs):** For the financial periods commencing 1 January 2017 all listed companies in the Kingdom of Saudi Arabia were required to adopt IFRSs in place of accounting standards issued by SOCPA. Accordingly, the Group has prepared its Consolidated Financial Statements for the year ended 31 December 2017, under IFRS 1 – “First Time Adoption of International Financial Reporting Standards”.

The Group’s management appointed a consultant as part of this transition to IFRSs who performed a detailed gap analysis to identify differences between previous reporting framework and newly adopted IFRSs as endorsed in the Kingdom of Saudi Arabia, determined the transition adjustments considering this gap analysis and relevant requirements of IFRSs and assessed the adequacy of additional disclosures required.

We considered this as a key audit matter as the transitional adjustments due to change in the financial reporting framework, presentation and disclosures related thereto require additional attention during our audit.

We have performed the following procedures in relation to the transition process:

- Considered the Group’s governance process in relation to transition to IFRSs, particularly to those matters that requires management to exercise judgment;
- Obtained an understanding of the gap analysis performed by the consultant to identify all significant differences required in the newly adopted accounting framework;
- Evaluated management’s results and key decisions taken in respect of the transition by using our knowledge of the IFRSs as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA, and our understanding of the Group’s business and its operations;
- Re-computation of the transition adjustments by considering the management’s detailed gap analysis; and
- Evaluated the adequacy of disclosures made in accordance with IFRSs as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA.

The impacts of transition to IFRSs on the Group’s consolidated financial statements are disclosed in note 34 to the consolidated financial statements.

- 2. Valuation of inventories:** As at 31 December 2017 the Group held inventories with a value of SAR 915 million (2016: SAR 805.7 million).

Inventories are stated at lower of cost or net realizable value and a provision for melting and slow-moving inventories is made by management. The Group makes significant judgments in estimating net realizable values of inventories along with the assessment of the level of provision required for melting and slow-moving inventories based on the inventory ageing reports together with the historical trends to estimate the likely future salability of slow moving and older inventory items.

## Key Audit Matters (KAMs) (continued)

### 2. Valuation of inventories (continued)

We focused on this area given the size of the inventory balance relative to the total assets of the Group. Moreover, the estimation of net realizable values of inventories involved a high level of management judgment. These estimations are also subject to uncertainty as a result of changes in gold market values.

We have performed the following procedures over the valuation of inventory:

- We assessed and tested the design and operating effectiveness of key controls over inventories;
- For a sample of inventory items re-performed the weighted average cost calculation and compared the weighted average cost to the last purchase invoices;
- We tested the ageing reports used by management by agreeing the sample of aged inventory items to the last recorded invoice;
- On a sample basis, we tested the net realizable value of non-gold inventories to the most recent selling prices and for gold inventory to gold market prices;
- We re-performed the calculation of provision for melting and slow-moving inventory items in accordance with the Group's policy, based on the inventory ageing reports; and
- We assessed the adequacy of the Group's disclosure in relation to the valuation of inventories by reference to the requirements of the relevant accounting standards.

Inventories are disclosed in note 9 to the consolidated financial statements. The Group's accounting policies for inventories are disclosed in notes 4 and 5 to the consolidated financial statements.

3. **Accounts receivable:** Accounts receivable of the Group as at 31 December 2017 amounted to SAR 459.5 million (2016: SAR 425 million). Assessing the provision for doubtful debts requires management to make significant judgments over both the timing of collection and estimation of the amount required for such impairment. Based on its significance we considered it as a key audit matter.

Our audit procedures in this area included, among other things:

- We assessed and tested the design and operating effectiveness of key controls over the accounts receivable relating to wholesale segment and impairment calculations. These controls included those over credit review and approval, system access, segregation of duties, collection of receipts and calculation of impairment allowances;
- Circulated confirmations to accounts receivable for wholesale segment on a sample basis;
- Revalued the account receivable balances denominated in gold by using the gold prices prevailing at the reporting date;
- Tested the ageing of accounts receivable using a sample test of invoices and manually recalculating the invoice ageing;
- We recomputed management's calculations for the provision for doubtful debts as per the Group's policies and evaluated the reasonableness of the provision; and
- We assessed the adequacy of the Group's disclosure in relation to the impairment provision by reference to the requirements of the relevant accounting standards.

Accounts receivable are disclosed in note 10 to the consolidated financial statements. The Group's accounting policies for accounts receivable are disclosed in notes 4 and 5 to the consolidated financial statements.

## **Other Matters**

The consolidated financial statements of the Group for the year ended 31 December 2016, on which a predecessor auditor has issued an unqualified audit opinion dated 15 Jumad Thani 1438H (corresponding to 14 March 2017G), prepared under Accounting Standards Generally Accepted in the Kingdom of Saudi Arabia.

## **Other information included in the Group's Annual Report**

Other information consists of the information included in the Group's 2017 annual report, other than the 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 cover the other information and we do not and will not express any form of assurance or 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 IFRSs, as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, applicable requirements of Regulation for Companies and by-laws of the Group 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's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, being the "Audit Committee", are responsible for overseeing the Group's financial reporting process.

## **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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- 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;
- 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; and
- 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 the direction, supervision and performance of the 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.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

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.


### **Report on Other Legal and Regulatory Requirements**

In our opinion, the accompanying consolidated financial statements of the Group taken as a whole comply with the applicable requirements of the Regulations for Companies and by-laws of the Group in so far as they affect the preparation and presentation of the consolidated financial statements.

Riyadh, 17 Jumada Alaker 1439  
Corresponding to 5 March 2018



**Aldar Audit Bureau  
Abdullah Al Basri & Co.**

  
**Abdullah M. Al Basri  
Certified Public Accountant  
(License No. 171)**



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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

	Notes	31 December 2017 SAR	31 December 2016 SAR	1 January 2016 SAR
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property and equipment	7	77,111,917	68,154,417	75,037,018
Intangible assets	8	633,861	583,019	160,588
Other non-current assets		999,495	787,822	846,614
<b>Total Non-Current Assets</b>		<b>78,745,273</b>	<b>69,525,258</b>	<b>76,044,220</b>
<b>Current Assets</b>				
Inventories	9	915,031,906	805,705,663	975,644,876
Accounts receivable	10	459,546,951	424,993,112	389,908,346
Other current assets	11	26,799,657	29,318,704	35,734,225
Cash margins		110,141,983	170,955,709	116,672,019
Cash and cash equivalents	12	57,431,809	38,518,470	173,438,279
<b>Total Current Assets</b>		<b>1,568,952,306</b>	<b>1,469,491,658</b>	<b>1,691,397,745</b>
<b>TOTAL ASSETS</b>		<b>1,647,697,579</b>	<b>1,539,016,916</b>	<b>1,767,441,965</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	13	430,000,000	430,000,000	430,000,000
Statutory reserve	14	20,420,130	17,265,738	10,056,720
Retained earnings		131,517,388	131,129,053	90,126,001
Foreign currency translation reserve	15	(175,478,759)	(175,923,524)	(38,891,595)
<b>Total Equity</b>		<b>406,458,759</b>	<b>402,471,267</b>	<b>491,291,126</b>
<b>Liabilities</b>				
<b>Non-Current Liabilities</b>				
Employees' end of service benefits	16	37,637,949	32,289,166	31,129,252
Deferred tax liability	17	555,171	557,998	991,046
<b>Total Non-Current Liabilities</b>		<b>38,193,120</b>	<b>32,847,164</b>	<b>32,120,298</b>
<b>Current Liabilities</b>				
Accounts payable and other current liabilities	18	45,459,745	60,575,919	111,213,227
Short-term bank and murabaha facilities	19	1,134,172,386	1,020,571,468	1,114,782,660
Zakat and income tax liability		23,413,569	22,551,098	18,034,654
<b>Total Current Liabilities</b>		<b>1,203,045,700</b>	<b>1,103,698,485</b>	<b>1,244,030,541</b>
<b>Total Liabilities</b>		<b>1,241,238,820</b>	<b>1,136,545,649</b>	<b>1,276,150,839</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,647,697,579</b>	<b>1,539,016,916</b>	<b>1,767,441,965</b>

  
Ayman Gamil  
Chief Financial Officer

  
Selim Chidiac  
Chief Executive Officer

  
Rabin Michel Khouri  
Authorized Board Member

The annexed notes from 1 – 34 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 2017**

	Notes	31 December 2017 SAR	31 December 2016 SAR
<b>REVENUE</b>			
Gold	20	1,397,133,899	1,612,905,847
Operations	20	355,373,584	405,396,857
		<u>1,752,507,483</u>	<u>2,018,302,704</u>
<b>COST OF REVENUE</b>			
Gold		(1,397,133,899)	(1,612,905,847)
Operations	21	(137,892,199)	(160,855,270)
		<u>217,481,385</u>	<u>244,541,587</u>
<b>GROSS PROFIT</b>			
<b>OPERATING EXPENSES</b>			
Selling and marketing expenses	22	(104,577,492)	(133,965,752)
General and administration expenses	23	(37,635,578)	(42,575,036)
		<u>75,268,315</u>	<u>68,000,799</u>
<b>OPERATING INCOME</b>			
<b>OTHER INCOME / (EXPENSES)</b>			
Other income – net	24	(534,494)	58,433,212
Finance charges – net	25	(30,740,442)	(35,615,333)
		<u>43,993,379</u>	<u>90,818,678</u>
<b>NET PROFIT BEFORE ZAKAT AND TAXES</b>			
Zakat	26	(10,613,077)	(17,562,193)
Income tax	26	(1,836,379)	(1,304,585)
		<u>31,543,923</u>	<u>71,951,900</u>
<b>NET PROFIT FOR THE YEAR</b>			
<b>NET PROFIT FOR THE YEAR ATTRIBUTABLE TO:</b>			
Equity holders of the parent		<u>31,543,923</u>	<u>71,951,900</u>
<b>EARNINGS PER SHARE:</b>			
Basic	27	0.73	1.67
Diluted	27	<u>0.73</u>	<u>1.67</u>

  
**Ayman Gamil**  
 Chief Financial Officer

  
**Selim Chidiac**  
 Chief Executive Officer

  
**Rabi Michel Khouri**  
 Authorized Board Member

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<u>31 December 2017</u> SAR	<u>31 December 2016</u> SAR
<b>NET PROFIT FOR THE YEAR</b>	<b>31,543,923</b>	<b>71,951,900</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that will not be reclassified subsequently to profit or loss:		
Re-measurement of employees' end of service benefits	(4,656,768)	(613,315)
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u>444,756</u>	<u>(137,031,929)</u>
Other comprehensive loss for the year – net of tax	<u>(4,212,003)</u>	<u>(137,645,244)</u>
<b>TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR</b>	<b><u>27,331,920</u></b>	<b><u>(65,693,344)</u></b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR ATTRIBUTABLE TO:</b>		
Equity holders of the parent	<u>27,331,920</u>	<u>(65,693,344)</u>

  
Ayman Gamh  
Chief Financial Officer

  
Selim Chidiac  
Chief Executive Officer

  
Rabih Michel Khouri  
Authorized Board Member

The annexed notes from 1 – 34 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 2017**

	Share Capital SAR	Statutory Reserve SAR	Retained Earnings SAR	Foreign Currency Translation Reserve SAR	Total SAR
Balance at 1 January 2016	430,000,000	10,056,720	89,855,476	(38,891,595)	491,020,601
Impact of adoption of International Financial Reporting Standards (note 34)	-	-	270,525	-	270,525
Balance at 1 January 2016 (Restated)	430,000,000	10,056,720	90,126,001	(38,891,595)	491,291,126
Net profit for the year	-	-	71,951,900	-	71,951,900
Other comprehensive loss for the year	-	-	(613,315)	(137,031,929)	(137,645,244)
Total comprehensive loss for the year	-	-	71,338,585	(137,031,929)	(65,693,344)
Transferred to statutory reserve (note 14)	-	7,209,018	(7,209,018)	-	-
Dividends	-	-	(23,126,515)	-	(23,126,515)
<b>BALANCE AT 31 DECEMBER 2016</b>	<b>430,000,000</b>	<b>17,265,738</b>	<b>131,129,053</b>	<b>(175,923,524)</b>	<b>402,471,267</b>
Balance at 1 January 2017	430,000,000	17,265,738	131,129,053	(175,923,524)	402,471,267
Net profit for the year	-	-	31,543,923	-	31,543,923
Other comprehensive loss for the year	-	-	(4,656,768)	444,765	(4,212,003)
Total comprehensive income for the year	-	-	26,887,155	444,765	27,331,920
Transferred to statutory reserve (note 14)	-	3,154,392	(3,154,392)	-	-
Dividends	-	-	(23,344,428)	-	(23,344,428)
<b>BALANCE AT 31 DECEMBER 2017</b>	<b>430,000,000</b>	<b>20,420,130</b>	<b>131,517,388</b>	<b>(175,478,759)</b>	<b>406,458,759</b>

  
Ayman Gamil  
Chief Financial Officer

  
Selim Chidiac  
Chief Executive Officer

  
Rabih Michel Khouri  
Authorized Board Member

The annexed notes from 1 – 34 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 2017**

		31 December 2017 SAR	31 December 2016 SAR
	Note		
<b>OPERATING ACTIVITIES</b>			
Net profit before zakat and taxes		43,993,379	90,818,678
Adjustments to reconcile net profit before zakat and taxes to net cash from operating activities:			
Depreciation on property and equipment	7	9,897,678	10,434,802
Amortization of intangible assets	8	234,877	175,807
Provision for employees' end of service benefits	16	4,435,178	4,974,028
Provision for doubtful debts	10	(302,697)	2,355,868
Finance charges – net	25	30,740,442	35,615,333
Gain on sale of property and equipment	24	(606,804)	81,506
Melting costs and charge for slow moving inventory	9	2,873,045	14,494,654
Foreign currency exchange differences - net		1,956,530	(54,700,101)
Operating income before changes in working capital		93,221,628	104,250,575
Net changes in working capital:			
Accounts receivable		(37,005,563)	(74,048,265)
Inventories		(111,413,698)	137,659,255
Other current assets		3,916,745	(5,882,874)
Accounts payable and other current liabilities		(13,716,587)	(6,170,150)
Short term bank and murabaha facilities		102,600,918	(111,211,192)
Cash generated from operating activities		37,603,443	44,597,349
Employees' end of service benefits paid	16	(3,751,554)	(3,672,639)
Finance charges paid		(34,122,957)	(36,124,454)
Income taxes paid		(1,405,043)	(175,394)
Zakat paid		(10,255,879)	(12,869,911)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(11,931,990)</b>	<b>(8,245,049)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	7	(22,651,085)	(24,873,668)
Proceeds from sale of property and equipment		3,495,327	1,770,592
Purchase of intangible assets	8	(283,902)	(713,631)
Other non-current assets		(211,673)	58,792
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(19,651,333)</b>	<b>(23,757,915)</b>
<b>FINANCING ACTIVITIES</b>			
Cash facilities (Tawaruq)	19	11,000,000	17,000,000
Dividends paid		(21,500,000)	(55,000,000)
Cash margins		60,813,726	(54,283,690)
<b>NET CASH GENERATED FROM/ (USED) IN FINANCING ACTIVITIES</b>		<b>50,313,726</b>	<b>(92,283,690)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>18,730,403</b>	<b>(124,286,654)</b>
Cash and cash equivalents at beginning of the year	12	38,518,470	173,438,279
Exchange differences on cash and cash equivalents		182,936	(10,633,155)
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	12	<b>57,431,809</b>	<b>38,518,470</b>

  
**Ayman Gamil**  
Chief Financial Officer

  
**Selim Chidiac**  
Chief Executive Officer

  
**Rabih M. Khouri**  
Authorized Board Member

The annexed notes from 1 – 34 form an integral part of these Consolidated Financial Statements

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

L'azurde Company for Jewelry (the "Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010221531 and dated 26 Jumad Thani 1427H (corresponding to 22 July 2006).

The Company and its subsidiaries (together referred to as the "Group") are engaged in the production, manufacturing, forming and forging golden wares, jewelry, precious stones and golden alloys in accordance with the ministerial resolution number 1354/S and dated 21 April 2008 corresponding to 15 Rabi Thani 1429H. The Group's other permissible activities include distribution of glasses, watches, accessories, pens, perfumes, leather products and export of gold wares, alloys and silver.

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

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

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

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

- a) **ORO Egypt for Manufacturing Precious Metals ("ORO")**  
ORO is a Joint Stock Company incorporated in the Arab Republic of Egypt under Commercial Registration no. 7877 dated 27 January 2003. The principal activities of ORO are gold jewelry manufacturing and trading.
- b) **L'azurde Company for Jewellery LLC ("LCJ Egypt")**  
LCJ Egypt is a Limited Liability Company incorporated in the Arab Republic of Egypt under Commercial Registration no. 14997 dated 8 June 2005. The principal activities of LCJ Egypt are gold jewelry manufacturing and trading.
- c) **L'azurde Company for Jewelry LLC ("LCJ Dubai")**  
LCJ Dubai is a Limited Liability Company incorporated in the United Arab Emirates (Dubai) under Commercial Registration no. 620369 dated 10 November 2008. The principal activity of LCJ Dubai is trading of gold jewelry items.
- d) **L'azurde Jewellery LLC ("LJ Abu Dhabi")**  
LJ Abu Dhabi is a Limited Liability Company incorporated in the United Arab Emirates (Abu Dhabi) under Commercial Registration no. 1060233 dated 19 October 2003. The principal activity of LJ Abu Dhabi is trading of gold jewelry items.
- e) **L'azurde Company for Jewellery LLC ("LCJ Qatar")**  
LCJ Qatar is a Limited Liability Company incorporated in the State of Qatar under Commercial Registration no. 60716 dated 21 May 2013. The principal activity of LCJ Qatar is trading of gold jewelry items.
- f) **Almujwharat Almasiah LLC ("AA")**  
AA is a Limited Liability Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration no. 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.



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**1. ORGANIZATION AND PRINCIPAL ACTIVITIES (continued)**

- g) **Kenaz LLC ("Kenaz")**  
Kenaz is a Limited Liability Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration no. 1010352574 dated 21 Dhul Qadah 1433H (corresponding to 6 October 2012). The principal activities of Kenaz are trading of gold and silver products and precious stones.
- h) **L'azurde Group for Gold and Jewellery DMCC ("L'azurde DMCC")**  
L'azurde DMCC is a Limited Liability Company registered with Dubai Multi Commodities Centre Authority, U.A.E under Trade License No. DMCC 108442 dated 26 February 2015. The principal activity of L'azurde DMCC is trading of pearls, precious stones and gold jewellery.

**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 the Group's first annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") and other standards and pronouncements issued by SOCPA. The Group's date of transition to IFRS was 1 January 2016. The requirements of IFRS 1 "First-time Adoption of International Financial Reporting Standards" have been applied in preparing these financial statements. Refer to note 34 which discloses the impact of adopting IFRS on these consolidated financial statements.

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

The consolidated financial statements for the year ended 31 December 2017 were approved and authorized for issue by the Board of Directors on 5 March 2018.

**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 and measurement basis summarized below, except for employees' end of service benefits provision which has been valued by an independent professional actuary.

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

**Basis of consolidation**

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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**3. BASIS OF PREPARATION (continued)**

**Basis of consolidation (continued)**

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

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

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

**Business combinations**

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

**Functional and presentation currency**

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

**Foreign operations**

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

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

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

**4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The preparation of consolidated financial statements in accordance with International Financial Reporting Standards endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") and other standards and pronouncements issued by SOCPA, requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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**4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)**

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

**Impairment of other financial assets and accounts receivable**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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

At the reporting date, gross accounts receivable was SAR 469.3 million (31 December 2016: SAR 434.7 million, 1 January 2016: SAR 399.8 million) with a provision for doubtful debts of SAR 9.7 million (31 December 2016: SAR 9.7 million, 1 January 2016: SAR 9.9 million). Differences between amounts actually collected and amounts expected to be collected in future periods will be recognized in the consolidated statement of profit or loss.

**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 of 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, taking into account 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.

At the reporting date, inventories were SAR 926.9 million (31 December 2016: SAR 822.6 million, 1 January 2016: SAR 993 million) with a provision for melting and slow-moving inventory items of SAR 11.9 million (31 December 2016: SAR 16.9 million, 1 January 2016: SAR 17.3 million). Differences between amounts actually realized and amounts expected to be realized in future periods will be recognized in the consolidated statement of profit or loss.

**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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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**4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)**

**Impairment of non-financial assets (continued)**

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 General Authority of Zakat & Tax.

**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 16 to these consolidated financial statements.

**Classification of financial instruments**

The Group at initial recognition determines the relevant classification of financial assets and financial liabilities based on its judgment. The classification of the financial assets and liabilities is given in note 30.3 to these consolidated financial statements.

**5. SIGNIFICANT ACCOUNTING POLICIES**

**Property and equipment**

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

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

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

Expenditure for repair and maintenance are charged to the 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 as follows:

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**5. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property and equipment (continued)**

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

<b>Asset Category</b>	<b>Life in years</b>
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.

**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:

<b>Asset Category</b>	<b>Life in years</b>
Franchise license fee	5
Computer software	2

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

**Accounts receivable**

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

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

**Inventories**

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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**5. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash and cash equivalents**

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

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

**Financial Instruments**

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

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

Financial assets

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

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

Effective interest method

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including accounts receivable (receivable in cash) and other receivables, bank balances and cash are measured at amortized cost using the effective interest method, less any impairment loss which is recognized in profit or loss. Accounts receivable to be settled in gold quantity are measured at FVTPL.

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

Impairment of financial assets

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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**5. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial Instruments (continued)**

**Impairment of financial assets (continued)**

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

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

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

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

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

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

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

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

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

**De-recognition of financial assets**

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

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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**5. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial Instruments (continued)**

**De-recognition of financial assets (continued)**

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

**Financial liabilities and equity instruments**

**Classification as liability or equity**

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

**Equity instruments**

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

**Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Short term bank and murabaha facilities to be settled in gold quantity are measured at FVTPL.

**Other financial liabilities**

Other financial liabilities (including short term cash facilities and accounts payable and current liabilities) are initially and subsequently measured at amortized cost using the effective interest method.

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

**De-recognition of financial liabilities**

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

**Accounts payable and accruals**

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

**Provisions**

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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**5. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Contingent liabilities**

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

**Employees' end of service benefits**

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

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.

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

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.

Other income is recognized when earned.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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**5. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Foreign currency transactions**

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

**Translation of foreign operations**

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

**Expenses**

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

**Operating leases**

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

**Gold revaluation**

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

**Basic and diluted earnings per share**

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

**Segmental reporting**

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



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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**6. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after 1 January 2018</u>
<u>IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014):</u>	
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.	
A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:	
<ul style="list-style-type: none"> <li>• <b>Classification and measurement:</b> Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.</li> <li>• <b>Impairment:</b> The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized</li> <li>• <b>Hedge accounting:</b> Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.</li> <li>• <b>Derecognition:</b> The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39.</li> </ul>	
<u>Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9:</u>	When IFRS 9 is first applied
<u>IFRS 7 Financial Instruments: Disclosures:</u>	
This relates to the additional hedge accounting disclosures (and consequential amendments) resulting from introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<p><u>IFRS 15 Revenue from Contracts with Customers:</u></p> <p>In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.</p> <p>The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:</p> <ul style="list-style-type: none"> <li>• Step 1: Identify the contract(s) with a customer.</li> <li>• Step 2: Identify the performance obligations in the contract.</li> <li>• Step 3: Determine the transaction price.</li> <li>• Step 4: Allocate the transaction price to performance obligations in the contract.</li> <li>• Step 5: Recognise revenue when the entity satisfies a performance obligation.</li> </ul> <p>Under IFRS 15, an entity recognises when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.</p> <p><u>Amendments to IFRS 15 Revenue from Contracts with Customers:</u></p> <p>To clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.</p>	<p>1 January 2018</p>
<p><u>IFRS 16 Leases:</u></p> <p>IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.</p> <p><u>Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011):</u></p> <p>These relate to the treatment of the sale or contribution of assets between an investor and its associate or joint venture.</p>	<p>1 January 2019</p> <p>Effective date deferred indefinitely</p>

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**6. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)**

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<u>Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28:</u>	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017
<u>Amendments to IAS 12 Income Taxes relating to the recognition of deferred tax assets for unrealized losses:</u>	1 January 2017
<u>Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities:</u>	1 January 2017
<u>IFRIC 22 Foreign Currency Transactions and Advance Consideration:</u>	
The interpretation addresses foreign currency transactions or parts of transactions where:	1 January 2018
<ul style="list-style-type: none"> <li>• there is consideration that is denominated or priced in a foreign currency;</li> <li>• the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and</li> <li>• the prepayment asset or deferred income liability is non-monetary</li> </ul>	
<u>Amendments to IFRS 2 Share Based Payment regarding classification and measurement of share based payment transactions</u>	1 January 2018

Management anticipates that these new and revised standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the year when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

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

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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 2017	
	SAR		SAR		SAR		SAR		SAR		SAR		SAR		SAR		SAR		SAR	
<b>Cost:</b>																				
At the beginning of the year	317,230		69,820,962		65,070,609		14,880,459		9,275,845		17,913,254		12,635,334		20,226,354		4,603,238		214,743,285	
Additions	-		16,424		3,515,533		238,235		258,467		1,307,314		129,958		5,895,041		11,290,113		22,651,085	
Transfer to other current assets	-		-		-		-		-		-		-		-		(1,227,569)		(1,227,569)	
Disposals	-		(184,343)		(648,727)		(68,569)		(705,445)		(100,146)		-		-		(2,312,788)		(4,020,018)	
Currency translation differences	4,169		31,093		135,041		21,408		14,406		79,681		17,453		64,970		98,656		466,877	
<b>At the end of the year</b>	<b>321,399</b>		<b>69,684,136</b>		<b>68,072,456</b>		<b>15,071,533</b>		<b>8,843,273</b>		<b>19,200,103</b>		<b>12,782,745</b>		<b>26,186,365</b>		<b>12,451,650</b>		<b>232,613,660</b>	
<b>Accumulated depreciation:</b>																				
At beginning of the year	-		39,704,225		51,308,411		13,442,146		7,724,458		15,053,641		11,113,651		8,242,336		-		146,588,868	
Reclassifications	-		-		265,541		-		-		-		(265,541)		-		-		-	
Depreciation charge for the year	-		1,258,284		2,079,710		405,727		886,531		1,447,793		258,354		3,561,279		-		9,897,678	
Relating to disposals	-		(18,281)		(284,653)		(37,415)		(705,439)		(85,707)		-		-		-		(1,131,495)	
Currency translation differences	-		12,729		21,692		13,831		9,408		57,135		12,345		19,552		-		146,692	
<b>At the end of the year</b>	<b>-</b>		<b>40,956,957</b>		<b>53,390,701</b>		<b>13,824,289</b>		<b>7,914,958</b>		<b>16,472,862</b>		<b>11,118,809</b>		<b>11,823,167</b>		<b>-</b>		<b>155,501,743</b>	
<b>Net book value:</b>																				
As at 31 December 2017	321,399		28,727,179		14,681,755		1,247,244		928,315		2,727,241		1,663,936		14,363,198		12,451,650		77,111,917	

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**7. PROPERTY AND EQUIPMENT (continued)**

	Land SAR	Buildings SAR	Machinery and equipment SAR	Furniture and fixtures SAR	Motor vehicles SAR	Office equipment SAR	Tools, dies and other assets SAR	Leasehold improvements SAR	Construction work in progress SAR	Total 2016 SAR
Cost:										
At the beginning of the year	593,901	74,590,251	65,757,636	15,688,499	10,476,622	28,259,551	14,114,672	18,823,133	-	228,304,265
Reclassification	-	(2,907,259)	-	-	-	(5,976,906)	(505,940)	120,048	2,787,211	(6,482,846)
Additions	-	214,304	7,964,788	501,966	76,000	1,419,052	112,101	5,980,860	8,604,597	24,873,668
Disposals	-	-	(737,930)	(8,939)	(236,368)	(770,737)	-	(600,173)	(1,486,697)	(3,840,844)
Currency translation differences	(276,671)	(2,076,334)	(7,913,885)	(1,301,067)	(1,040,409)	(5,017,706)	(1,085,499)	(4,097,514)	(5,031,873)	(28,110,958)
At the end of the year	317,230	69,820,962	65,070,609	14,880,459	9,275,845	17,913,254	12,635,334	20,226,354	4,603,238	214,743,285
Accumulated depreciation:										
At beginning of the year	-	39,227,003	50,791,116	13,806,280	7,176,714	23,607,421	11,629,538	6,868,587	-	153,106,659
Reclassifications	-	(9,581)	121	-	-	(6,251,820)	(70,525)	9,548	-	(6,322,257)
Depreciation charge for the year	-	1,312,182	2,223,512	497,550	1,406,626	1,876,079	341,867	2,776,986	-	10,434,802
Relating to disposals	-	-	(637,955)	(2,533)	(236,363)	(740,535)	-	(371,360)	-	(1,988,746)
Currency translation differences	-	(825,379)	(1,068,383)	(859,151)	(622,519)	(3,437,504)	(787,229)	(1,041,425)	-	(8,641,590)
At the end of the year	-	39,704,225	51,308,411	13,442,146	7,724,458	15,053,641	11,113,651	8,242,336	-	146,588,868
Net book value:										
As at 31 December 2016	317,230	30,116,737	13,762,198	1,438,313	1,551,387	2,859,613	1,521,683	11,984,018	4,603,238	68,154,417
As at 1 January 2016	593,901	35,363,248	14,966,520	1,882,219	3,299,908	4,491,542	2,485,134	11,954,546	-	75,037,018

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**7 PROPERTY AND EQUIPMENT (continued)**

	31 December 2017 SAR	31 December 2016 SAR
7.1 Depreciation charge for the year has been allocated as follows:		
Cost of sales	4,143,765	4,745,796
Selling and marketing expenses	4,398,034	3,620,285
General and administrative expenses	1,355,879	2,068,721
	<u>9,897,678</u>	<u>10,434,802</u>

**8. INTANGIBLE ASSETS**

Details of other intangible assets are as follows:

	31 December 2017 SAR	31 December 2016 SAR	1 January 2016 SAR
<b>Franchise and computer software:</b>			
Gross carrying amount:			
1 January - Reclassification	6,759,246	6,482,846	6,482,846
Additions	283,902	713,631	-
Foreign exchange differences	6,980	(437,231)	-
31 December	<u>7,050,128</u>	<u>6,759,246</u>	<u>6,482,846</u>
Accumulated amortization:			
1 January - Reclassification	6,176,227	6,322,258	6,322,258
Charge for the year	234,877	175,807	-
Foreign exchange differences	5,163	(321,838)	-
31 December	<u>6,416,267</u>	<u>6,176,227</u>	<u>6,322,258</u>
Net carrying amount at 31 December	<u>633,861</u>	<u>583,019</u>	<u>160,588</u>

**9. INVENTORIES**

	31 December 2017 SAR	31 December 2016 SAR	1 January 2016 SAR
<b>By component:</b>			
Gold	740,512,632	680,365,993	835,470,179
Diamonds, stones and pearls	164,095,415	126,333,475	137,781,650
Materials and accessories	22,306,700	15,901,140	19,729,253
	<u>926,914,747</u>	<u>822,600,608</u>	<u>992,981,082</u>
Less: Provision for melting and slow-moving items	(11,882,841)	(16,894,945)	(17,336,206)
	<u>915,031,906</u>	<u>805,705,663</u>	<u>975,644,876</u>

	31 December 2017 SAR	31 December 2016 SAR	1 January 2016 SAR
<b>By stage of completion:</b>			
Finished goods	480,155,414	520,558,129	605,457,817
Raw materials	445,616,231	299,182,823	385,298,463
Work in progress	1,143,102	2,859,656	2,224,802
	<u>926,914,747</u>	<u>822,600,608</u>	<u>992,981,082</u>
Less: Provision for melting and slow-moving items	(11,882,841)	(16,894,945)	(17,336,206)
	<u>915,031,906</u>	<u>805,705,663</u>	<u>975,644,876</u>

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**9. INVENTORIES (continued)**

The movement in provision for melting and slow-moving inventory items can be reconciled as follows:

	<b>31 December 2017 SAR</b>	<b>31 December 2016 SAR</b>
Balance at 1 January	(16,894,945)	(17,336,206)
Charge for the year (note 21)	(2,873,045)	(14,494,654)
Amounts written-off/(reversals)	7,952,984	12,412,637
Foreign exchange differences	(67,835)	2,523,278
Balance at 31 December	<u>(11,882,841)</u>	<u>(16,894,945)</u>

**10. ACCOUNTS RECEIVABLE**

	<b>31 December 2017 SAR</b>	<b>31 December 2016 SAR</b>	<b>1 January 2016 SAR</b>
Accounts receivable - Gross	469,267,439	434,713,598	399,843,318
Provision for doubtful debts	<u>(9,720,488)</u>	<u>(9,720,486)</u>	<u>(9,934,972)</u>
Accounts receivable - Net	<u>459,546,951</u>	<u>424,993,112</u>	<u>389,908,346</u>

The Company recognizes a provision for doubtful accounts receivable based on the ageing of its overdue accounts receivable. This provision increases as the accounts receivable become more overdue, as historical experience indicates that the likelihood of amounts being irrecoverable increases with the increase in age of accounts receivable. See note 30.1 (b) on 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 doubtful debts is as follows:

	<b>31 December 2017 SAR</b>	<b>31 December 2016 SAR</b>
At the beginning of the year	(9,720,486)	(9,934,972)
Charge for the year (note 22)	302,697	(2,355,867)
Write offs/ reversals	(265,860)	-
Foreign exchange differences	<u>(36,839)</u>	<u>2,570,353</u>
At the end of the year	<u>(9,720,488)</u>	<u>(9,720,486)</u>

**11. OTHER CURRENT ASSETS**

	<b>31 December 2017 SAR</b>	<b>31 December 2016 SAR</b>	<b>1 January 2016 SAR</b>
Prepayments	14,371,528	16,831,775	15,885,548
Advance to suppliers	6,419,465	8,705,533	13,328,842
Advance to employees	3,297,457	1,773,872	3,121,433
Accrued income	-	124,080	402,276
Other receivables	<u>2,711,207</u>	<u>1,883,444</u>	<u>2,996,126</u>
	<u>26,799,657</u>	<u>29,318,704</u>	<u>35,734,225</u>

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**12. CASH AND CASH EQUIVALENTS**

		<b>31 December 2017 SAR</b>	<b>31 December 2016 SAR</b>	<b>1 January 2016 SAR</b>
	Note			
Cash in hand		<b>12,679,778</b>	10,186,641	5,900,827
Cash at bank		<b>43,634,260</b>	28,228,429	160,353,957
Short term deposits	12.1	<b>1,117,771</b>	103,400	7,183,495
		<b>57,431,809</b>	<b>38,518,470</b>	<b>173,438,279</b>

**12.1** Short term deposits include various deposits placed with commercial banks and have maturity period ranging from a week to a month.

**13. SHARE CAPITAL**

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

	<b>31 December 2017 SAR</b>	<b>31 December 2016 SAR</b>	<b>1 January 2016 SAR</b>
<b>Shares issued and fully paid:</b>			
At beginning of the year	<b>43,000,000</b>	43,000,000	30,000,000
Issued during the year	-	-	13,000,000
At end of the year	<b>43,000,000</b>	<b>43,000,000</b>	<b>43,000,000</b>

**14. STATUTORY RESERVE**

In accordance with Saudi Arabian Regulations for Companies and Company's By-Laws, 10% of the net income for the year has been transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of its capital. The reserve is not available for distribution to the shareholders.

**15. FOREIGN CURRENCY TRANSLATION RESERVE**

There had been a significant increase in the negative exchange translation reserve of the Group as at 31 December 2016, which was due to the effect of significant devaluation of Egyptian Pound during 2016 (especially during the three-month period ended 31 December 2016), as Egyptian operations of the Group had significant net assets. If the Egyptian Pound appreciates in the future against Saudi Riyal, the exchange translation reserve will result in a positive movement.

**16. EMPLOYEES' END OF SERVICE BENEFITS**

**General description**

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

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



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**16. EMPLOYEES' END OF SERVICE BENEFITS (continued)**

The movements in employees' terminal benefits during the year are as follows:

	<b>31 December 2017 SAR</b>	<b>31 December 2016 SAR</b>
At the beginning of the year	32,289,166	31,129,252
Charge for the year	4,435,178	4,974,028
Payments during the year	(3,751,554)	(3,672,639)
Actuarial loss	4,656,768	613,315
Foreign exchange differences	8,391	(754,790)
At the end of the year	<b>37,637,949</b>	<b>32,289,166</b>

**Principal actuarial assumptions**

	<b>31 December 2017 SAR</b>	<b>31 December 2016 SAR</b>
<b>Financial assumptions:</b>		
Discount rate	2.95% - 18.75%	3.2% - 14.5%
Salary increase	3.25% - 10.0%	3.25% - 10%

**Demographic assumption:**

Rates of employee turnover	Heavy	Heavy
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**Cost recognized in consolidated profit or loss**

**Service cost:**

- Current service cost	3,315,533	3,764,510
- Interest cost on defined benefit obligation	1,119,645	1,209,518
	<b>4,435,178</b>	<b>4,974,028</b>

**17. DEFERRED TAX LIABILITY – NET**

Details of taxable temporary differences are as follows:

	<b>31 December 2017 SAR</b>	<b>31 December 2016 SAR</b>	<b>1 January 2016 SAR</b>
<b>Property and equipment:</b>			
At the beginning of the year	557,998	991,046	-
Charge for the year	(13,736)	403,595	991,046
Foreign exchange differences	10,909	(836,643)	-
At the end of the year	<b>555,171</b>	<b>557,998</b>	<b>991,046</b>

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**18. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES**

	Note	31 December 2017 SAR	31 December 2016 23 SAR	1 January 2016 SAR
Accounts payable		23,857,408	25,354,206	20,950,602
Accrued expenses		16,071,539	25,804,179	47,124,402
Accrued financial charges		944,140	4,326,655	4,835,776
Employees payables		1,763,042	1,524,255	923,473
Amount due to related parties	28	494,625	441,615	2,827,551
Dividends payable		14,874	-	31,873,484
Other payables		2,314,117	3,125,009	2,677,939
		<u>45,459,745</u>	<u>60,575,919</u>	<u>111,213,227</u>

**19. SHORT-TERM BANK AND MURABAHA FACILITIES**

	Note	31 December 2017 SAR	31 December 2016 SAR	1 January 2016 SAR
Murabaha facilities (Gold)	19.1	1,106,172,386	906,881,904	1,114,782,660
Commodity agreements	19.2	-	68,716,653	-
Gold facilities	19.3	-	27,972,911	-
Cash facilities (Tawaruq)	19.4	28,000,000	17,000,000	-
		<u>1,134,172,386</u>	<u>1,020,571,468</u>	<u>1,114,782,660</u>

- 19.1 The Group has Islamic Murabaha facilities to obtain gold from various banks to finance gold working capital requirements, with maturity periods ranging from 1 to 3 months (2016: 1 to 3 months) with agreed profit rates. All of these financial facilities are compliant with Shariah principles as the banks purchase a commodity other than gold or silver on behalf of the Group and then sell this commodity and uses the consideration to purchase gold for the Group.
- 19.2 Represents agreements to buy gold, at a certain fixed gold price, and sell it back at a future date, ranging from 1 to 6 months in 2016, at the same gold price plus agreed commission. The agreements were secured by cash margins.
- 19.3 Represents gold facilities from banks used to finance working capital. The Group repaid the gold facilities during the year with an interest rate of SIBOR plus agreed rates and a maturity period of 3 months. The Group pays cash margins at agreed rates on the face value of the facility that is refundable at maturity date.
- 19.4 Represents Islamic Murabaha cash facilities from various banks solely to finance its working capital requirements with agreed profit rates and maturity periods ranging from 5 to 6 months.

**20. REVENUE**

Revenue includes revenue from gold and revenue from operations. Revenue from gold refers to the value of gold weight used. Revenue from operations refers to the added value component of the jewellery piece, namely labour service charge revenue, value of additions and other sources of revenue generated through wholesale and gold and diamond jewelry sold in retail channels.

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**21. COST OF OPERATIONS**

		<b>31 December 2017 SAR</b>	<b>31 December 2016 SAR</b>
	Note		
Raw material consumed		80,922,255	79,370,919
Salaries and employees' benefits		45,793,777	56,915,037
Depreciation	7.1	4,143,765	4,745,796
Melting costs and charge for slow-moving inventory	9	2,873,045	14,494,654
Other		4,159,357	5,328,864
		<b>137,892,199</b>	<b>160,855,270</b>

**22. SELLING AND MARKETING EXPENSES**

		<b>31 December 2017 SAR</b>	<b>31 December 2016 SAR</b>
	Note		
Salaries and employees' benefits		24,118,089	23,219,800
Advertisements and promotional activities		12,411,203	36,253,060
Gold calibration charges		27,667,631	35,237,874
Sales commissions		11,199,759	11,620,327
Rent	29	15,342,633	10,804,533
Depreciation	7.1	4,398,034	3,620,285
Provision for doubtful debts	10	(302,697)	2,355,868
Travel expenses		1,384,626	1,484,817
Insurance expenses		816,272	1,056,791
Other expenses		7,541,942	8,312,397
		<b>104,577,492</b>	<b>133,965,752</b>

**23. GENERAL AND ADMINISTRATIVE EXPENSES**

		<b>31 December 2017 SAR</b>	<b>31 December 2016 SAR</b>
	Note		
Salaries and employees' benefits		28,348,065	31,746,588
Consultancy and professional fees		2,017,501	2,950,931
Depreciation	7.1	1,355,879	2,068,721
Travel expenses		1,717,834	1,400,183
Printing, stationery and communication expenses		821,947	813,112
Repairs and maintenance expenses		651,247	651,738
Charity and donations		-	15,000
Other expenses		2,723,105	2,928,763
		<b>37,635,578</b>	<b>42,575,036</b>

**24. OTHER INCOME - net**

		<b>31 December 2017 SAR</b>	<b>31 December 2016 SAR</b>
(Loss)/gain from foreign exchange differences-net		(276,415)	60,785,676
Gain/(loss) on disposal of property, plant and equipment		606,804	(81,506)
Bank charges		(1,003,509)	(934,062)
Miscellaneous		138,626	(1,336,896)
		<b>(534,494)</b>	<b>58,433,212</b>

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**24. OTHER INCOME – net (continued)**

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

**25. FINANCE CHARGES - net**

	<b>31 December 2017 SAR</b>	<b>31 December 2016 SAR</b>
Financing costs	<u>29,620,797</u>	34,405,815
Interest on employees' end of service benefits	<u>1,119,645</u>	1,209,518
	<b><u>30,740,442</u></b>	<b><u>35,615,333</u></b>

**26. ZAKAT AND INCOME TAX**

**Zakat charge**

Zakat charge for the year amounts to SAR 10.6 million (2016: SAR 17.6 million).

The Zakat base is as follows:

	<b>31 December 2017 SAR</b>	<b>31 December 2016 SAR</b>
Equity	381,416,032	506,785,680
Opening provisions and other adjustments	59,192,581	54,513,616
Book value of long term assets	<u>(78,745,273)</u>	<u>(68,737,436)</u>
	361,863,340	492,561,860
Zakatable income for the year	51,668,518	37,735,590
Zakat base	<b><u>413,531,858</u></b>	<b><u>530,297,450</u></b>

**Status of zakat assessments**

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

**Income tax charge**

The income tax charge for the year consists of the following:

	<b>31 December 2017 SAR</b>	<b>31 December 2016 SAR</b>
Income tax	<u>1,850,115</u>	900,990
Deferred tax	<u>(13,736)</u>	403,595
	<b><u>1,836,379</u></b>	<b><u>1,304,585</u></b>

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**26. ZAKAT AND INCOME TAX (continued)**

**Income tax charge (continued)**

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

**Status of income tax assessments related to foreign subsidiaries**

ORO, registered in Arab Republic of Egypt, was exempt from Corporate Income Tax until 31 December 2014 according to the Egyptian Law No. 8 of the year 1997. ORO received tax assessments and settled its tax liabilities on non-exempt activities till the year 2011. The years 2012 to 2014 are currently under inspection by the tax authorities in Egypt and no assessments has been issued for these years yet. ORO paid all taxes due on its non-exempt activities to date.

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

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

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

**27. EARNINGS PER SHARE - BASIC AND DILUTED**

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Basic and diluted earnings per share</b>		
Net profit for the year (in SAR)	<b>31,543,923</b>	71,951,900
Weighted average number of ordinary shares during the year	<b>43,000,000</b>	43,000,000
	<hr/>	<hr/>
Basic and diluted earnings per share (in SAR)	<b>0.73</b>	1.67

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 2017 (31 December 2016: Nil).

**28. 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.

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**28. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

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	December	December	December
		2017	2016	2017	2016
		SAR	SAR	SAR	SAR
<b><u>Due from related parties:</u></b>					
<b>Parent:</b>					
L'azurde Holding Company	Costs recharged, and amounts collected by the Company	144,000	208,000	-	-
<b>Parent of L'azurde Holding Company:</b>					
Gulf Fifth Gemstone Saudi Company	Costs recharged, and amounts collected by the Company	-	343,312	-	-
<b><u>Due to related parties (see note 18):</u></b>					
<b>Other affiliates:</b>					
Board of Directors	Remuneration	1,514,426	813,850	369,000	315,990
Director	Consultancy	502,500	251,250	125,625	125,625
				494,625	441,615

Remuneration to Key Management Personnel	31 December 2017 SAR	31 December 2016 SAR
Salaries	6,708,696	6,708,696
Allowances	778,320	778,320
Short-term incentive plans	1,174,906	3,795,759
	<b>8,661,922</b>	<b>11,282,775</b>

**29. CONTINGENCIES AND COMMITMENTS**

**Contingencies**

The Group issued letters of guarantees amounting to SAR 2.4 million as at 31 December 2017 (31 December 2016: SAR 2.1 million, 1 January 2016: SAR 0.7 million) in relation to its operations.

**Capital commitments**

The Group has capital commitments in respect of capital expenditures amounting to SAR 4.2 million as at 31 December 2017 (31 December 2016: SAR 12.4 million, 1 January 2016: SAR 9.3 million).

**Operating lease commitments**

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

	31 December 2017 SAR	31 December 2016 SAR	1 January 2016 SAR
Within one year	16,175,189	15,107,537	13,499,806
After one year but not more than five years	16,698,409	13,698,270	13,870,463
More than five years	3,572,738	2,326,954	5,062,363
	<b>36,446,336</b>	<b>31,132,761</b>	<b>32,432,632</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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**30. FINANCIAL INSTRUMENTS**

**30.1 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.

**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:

	31 December 2017		31 December 2016		1 January 2016	
	SAR	Grams (24 Karat)	SAR	Grams (24 Karat)	SAR	Grams (24 Karat)
<b>Net gold asset/ (liability)</b>						
Gold – inventories (non-financial asset)	720,839,680	4,611,609	664,117,068	4,748,272	805,684,210	6,285,130
Gold - receivables	385,390,878	2,465,558	339,455,429	2,427,022	309,554,015	2,414,826
Gold liability - payables	-	-	-	-	(400,334)	(3,123)
Gold facilities	(1,106,172,386)	(7,076,770)	(1,003,571,468)	(7,175,261)	(1,114,782,660)	(8,696,402)
Net gold assets/ (liability)	58,172	397	1,029	33	55,231	431

**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 receivables and maintains accounts with reputable, creditworthy banks.

The Group has established policies and procedures for timely recovery of accounts receivable 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:

		31 December 2017 SAR	31 December 2016 SAR	1 January 2016 SAR
Other non-current assets		785,745	574,072	599,114
Accounts receivable	10	459,546,951	424,993,112	389,908,346
Other current assets	11	6,008,664	3,781,396	6,519,835
Cash at bank	12	44,752,031	28,331,829	167,537,453
Cash margins		110,141,983	170,955,709	116,672,019
		621,235,374	628,636,118	681,236,767

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**30. FINANCIAL INSTRUMENTS (continued)**

**30.1 Risk Management of Financial Instruments (continued)**

**b) Credit risk (continued)**

The Group continuously monitors the risk of defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

Unimpaired accounts receivable is expected, on the basis of past experience, to be fully recoverable. It is the practice of the Group to obtain collaterals against accounts receivable, if possible.

As at 31 December, the ageing of unimpaired accounts receivable was as follows:

	<b>31 December 2017 SAR</b>	<b>31 December 2016 SAR</b>	<b>1 January 2016 SAR</b>
Neither past due nor impaired	<b>344,605,981</b>	243,679,507	259,318,296
Past due but not impaired:			
a) Less than 180 days	<b>99,246,777</b>	157,505,358	113,177,237
b) 181 – 270 days	<b>10,994,100</b>	21,524,213	14,334,186
c) 271– 360 days	<b>2,168,038</b>	1,841,089	1,767,237
d) 361– 540 days	<b>2,532,055</b>	442,945	1,311,391
	<b>459,546,951</b>	424,993,112	389,908,347

**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 Dollars, Euros and Egyptian Pound. 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 and the Group does not have material net assets in Euros, the Group is 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:

	<b>31 December 2017 SAR</b>	<b>31 December 2016 SAR</b>	<b>1 January 2016 SAR</b>
Cash and cash equivalents	<b>9,108,455</b>	7,606,676	22,943,460
Accounts receivables	<b>14,194,843</b>	28,952,326	27,760,793
Accounts payable and other current liabilities	<b>(6,368,573)</b>	(11,298,923)	(20,004,071)
Net statement of financial position exposure	<b>16,934,725</b>	25,260,079	30,700,182

A strengthening/ (weakening) of the Egyptian Pound by 1% against Saudi Riyal would have affected the measurement of financial instruments denominated in Egyptian Pound and would have increased/ (decreased) equity by the SAR 167,671 at year ended 31 December 2017 (31 December 2016: SAR 250,100, 1 January 2016: SAR 303,962).



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**30. FINANCIAL INSTRUMENTS (continued)**

**30.1 Risk Management of Financial Instruments (continued)**

**d) Market price risk**

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from gold 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. The management is of the opinion that the 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 liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Following table represents the maturity profiles of the financial liabilities:

<u>31 December 2017</u>	Note	<u>0-12 months SAR</u>	<u>Over 12 months SAR</u>	<u>Total SAR</u>
<b><u>Financial liabilities:</u></b>				
Accounts payable and other current liabilities	18	45,459,745	-	45,459,745
Short term bank and murabaha facilities	19	1,134,172,386	-	1,134,172,386
<b>Total</b>		<b>1,179,632,131</b>	<b>-</b>	<b>1,179,632,131</b>

31 December 2016

**Financial liabilities:**

Accounts payable and other current liabilities	18	60,575,919	-	60,575,919
Short term bank and murabaha facilities	19	1,020,571,468	-	1,020,571,468
<b>Total</b>		<b>1,081,147,387</b>	<b>-</b>	<b>1,081,147,387</b>

1 January 2016

**Financial liabilities:**

Accounts payable and other current liabilities	18	111,213,227	-	111,213,227
Short term bank and murabaha facilities	19	1,114,782,660	-	1,114,782,660
<b>Total</b>		<b>1,225,995,887</b>	<b>-</b>	<b>1,225,995,887</b>

**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:

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**30. FINANCIAL INSTRUMENTS (continued)**

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

<b>31 December 2017:</b>		<b>Fair Value (in SAR)</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets:</b>					
Accounts receivable (note 30.1)		385,390,878	-	-	385,390,878
<b>Financial liabilities:</b>					
Short term bank and murabaha facilities (note 30.1)		1,106,172,386	-	-	1,106,172,386
<b>31 December 2016:</b>		<b>Fair Value (in SAR)</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets:</b>					
Accounts receivable (note 30.1)		339,455,429	-	-	339,455,429
<b>Financial liabilities:</b>					
Short term bank and murabaha facilities (note 30.1)		1,003,571,468	-	-	1,003,571,468
<b>1 January 2016:</b>		<b>Fair Value (in SAR)</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets:</b>					
Accounts receivable (note 30.1)		309,554,015	-	-	309,554,015
<b>Financial liabilities:</b>					
Short term bank and murabaha facilities (note 30.1)		1,114,782,660	-	-	1,114,782,660
Accounts payable		400,334	-	-	400,334

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**30. FINANCIAL INSTRUMENTS (continued)**

**30.3 Classification of Financial Instruments**

		31 December 2017 SAR	31 December 2016 SAR	1 January 2016 SAR
<b>Classification of financial instruments</b>	<b>Note</b>			
<b>Financial assets as per statement of financial position:</b>				
<b>Loans and receivables</b>				
Other non-current assets		785,745	574,072	599,114
Accounts receivable		74,156,073	85,537,683	80,354,331
Other current assets	11	6,008,664	3,781,396	6,519,835
Cash margins		110,141,983	170,955,709	116,672,019
Cash and cash equivalents	12	57,431,809	38,518,470	173,438,279
<b>Carried at fair value through profit or loss</b>				
Accounts receivable	30.2	385,390,878	339,455,429	309,554,015
		<u>633,915,152</u>	<u>638,822,759</u>	<u>687,137,593</u>
<b>Financial liabilities as per statement of financial position:</b>				
<b>Financial liabilities measured at amortized cost</b>				
Accounts payable and other current liabilities	18	45,459,745	60,575,919	110,812,893
Short-term cash facilities	19	28,000,000	17,000,000	-
<b>Carried at fair value through profit or loss:</b>				
Short term bank and murabaha facilities	30.2	1,106,172,386	1,003,571,468	1,114,782,660
Accounts payable	30.2	-	-	400,334
		<u>1,179,632,131</u>	<u>1,081,141,387</u>	<u>1,225,995,887</u>

**31 SEGMENTAL INFORMATION**

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

	Wholesale SAR	Retail SAR	Total SAR
<b>31 December 2017:</b>			
Revenues - Gold	1,397,133,899	-	1,397,133,899
- Operations	242,855,181	112,518,403	355,373,584
Gross profit	171,380,582	46,100,803	217,481,385
Net book value of property and equipment	64,371,442	12,740,475	77,111,917
Total assets	1,452,955,686	194,741,893	1,647,697,579
Total liabilities	(1,114,503,265)	(126,735,555)	(1,241,238,820)
<b>31 December 2016:</b>			
Revenues - Gold	1,612,905,847	-	1,612,905,847
- Operations	322,809,033	82,587,824	405,396,857
Gross profit	217,382,736	27,158,851	244,541,587
Net book value of property and equipment	58,935,082	9,219,335	68,154,417
Total assets	1,399,186,546	139,830,370	1,539,016,916
Total liabilities	(1,053,263,654)	(83,281,995)	(1,136,545,649)

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**32. DIVIDENDS**

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

**33. COMPARATIVE FIGURES**

Certain of the prior year amounts have been reclassified to conform to the presentation in the current year. The Company's date of transition to IFRS was 1 January 2016. As a result of IFRS transition, line items in the 2016 and 1 January 2016 consolidated statement of financial position and consolidated statement of comprehensive income have been restated. The effects of above changes on total equity and total comprehensive income are presented in note 34 to these consolidated financial statements.

**34. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS**

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

<b>From</b>	<b>To</b>	<b>31 December 2016 SAR</b>	<b>1 January 2016 SAR</b>
Other current assets	Other non-current assets	787,822	846,614
Property and equipment – cost	Intangible assets - cost	6,327,916	6,482,846
Accumulated depreciation of property and equipment	Accumulated amortization of intangible assets	(6,169,040)	(6,322,258)

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

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

**34.2 Reconciliation of Statement of Financial Position**

		For the year ended 31 December 2016			For the year beginning 1 January 2016		
	Notes	31 December 2016 SAR	IFRS Transition differences SAR	31 December 2016 (Restated) SAR	1 January 2016 SAR	IFRS Transition differences SAR	1 January 2016 (Restated) SAR
ASSETS							
Non-Current Assets							
Property and equipment	34.1	68,313,293	(158,876)	68,154,417	75,197,606	(160,588)	75,037,018
Intangible assets	34.1	424,143	158,876	583,019	-	160,588	160,588
Other non-current assets	34.1	-	787,822	787,822	-	846,614	846,614
Total Non-Current Assets		68,737,436	787,822	69,525,258	75,197,606	846,614	76,044,220
Current Assets							
Inventories		805,705,663	-	805,705,663	975,644,876	-	975,644,876
Accounts receivable		424,993,112	-	424,993,112	389,908,346	-	389,908,346
Other current assets	34.1	30,106,526	(787,822)	29,318,704	36,580,839	(846,614)	35,734,225
Cash margin deposits		170,955,709	-	170,955,709	116,672,019	-	116,672,019
Cash and cash equivalents		38,518,470	-	38,518,470	173,438,279	-	173,438,279
Total Current Assets		1,470,279,480	(787,822)	1,469,491,658	1,692,244,359	(846,614)	1,691,397,745
TOTAL ASSETS		1,539,016,916	-	1,539,016,916	1,767,441,965	-	1,767,441,965
EQUITY AND LIABILITIES							
Share capital		430,000,000	-	430,000,000	430,000,000	-	430,000,000
Statutory reserves		17,265,738	-	17,265,738	10,056,720	-	10,056,720
Retained earnings		131,610,117	(481,064)	131,129,053	89,855,476	270,525	90,126,001
Foreign currency translation reserve		(175,822,294)	(101,230)	(175,923,524)	(38,891,595)	-	(38,891,595)
TOTAL EQUITY	34.4	403,053,561	(582,294)	402,471,267	491,020,601	270,525	491,291,126
LIABILITIES							
Non-Current Liabilities							
Employees' end of service benefits	34.7	31,706,277	582,889	32,289,166	31,398,243	(268,991)	31,129,252
Deferred tax liability		557,998	-	557,998	991,046	-	991,046
Total Non-Current Liabilities		32,264,275	582,889	32,847,164	32,389,289	(268,991)	32,120,298
Current Liabilities							
Accounts payable and current liabilities	34.4	60,576,514	(595)	60,575,919	111,214,761	(1,534)	111,213,227
Short-term bank and murabaha facilities		1,020,571,468	-	1,020,571,468	1,114,782,660	-	1,114,782,660
Zakat and income tax liability		22,551,098	-	22,551,098	18,034,654	-	18,034,654
Total Current Liabilities		1,103,699,080	(595)	1,103,698,485	1,244,032,075	(1,534)	1,244,030,541
TOTAL LIABILITIES		1,135,963,355	585,294	1,136,545,649	1,276,421,364	(270,525)	1,276,150,839
TOTAL EQUITY AND LIABILITIES		1,539,016,916	-	1,539,016,916	1,767,441,965	-	1,767,441,965

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

**34.3 Reconciliation of Consolidated Statement of Profit or loss and Other Comprehensive Income**

		For the year ended 31 December 2016		
	Notes	31 December 2016 SAR	IFRS Transition differences SAR	31 December 2016 (Restated) SAR
<b>REVENUE</b>				
Gold		1,612,905,847	-	1,612,905,847
Operations		405,396,857	-	405,396,857
		2,018,302,704	-	2,018,302,704
<b>COST OF REVENUE</b>				
Gold	34.5	(1,612,905,847)	-	(1,612,905,847)
Operations		(161,502,272)	647,002	(160,855,270)
<b>GROSS PROFIT</b>		243,894,585	647,002	244,541,587
<b>OPERATING EXPENSES</b>				
Selling and marketing expenses		(134,175,266)	209,514	(133,965,752)
General and administration expenses		(42,790,703)	215,667	(42,575,036)
<b>OPERATING INCOME</b>		66,928,616	1,072,183	68,000,799
<b>OTHER INCOME/ (EXPENSES)</b>				
Other income – net	34.5	58,434,152	(940)	58,433,212
Finance charges - net		(34,405,815)	(1,209,518)	(35,615,333)
<b>NET PROFIT BEFORE ZAKAT AND TAXES</b>		90,956,953	(138,275)	90,818,678
Zakat		(17,562,193)	-	(17,562,193)
Income tax		(1,304,585)	-	(1,304,585)
<b>NET PROFIT FOR THE YEAR</b>	34.5	72,090,175	(138,275)	71,951,900
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items that will not be reclassified subsequently to profit or loss</b>				
Re-measurement on employees' end of service benefits		-	(613,315)	(613,315)
<b>Items that will be reclassified subsequently to profit or loss</b>				
Exchange differences on translating foreign operations		-	(137,031,929)	(137,031,929)
<b>Other comprehensive income for the year – net of tax</b>		-	(137,645,244)	(137,645,244)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		72,090,175	(137,783,519)	(65,693,344)

**L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**34.4 Reconciliation of equity**

	Notes	31 December 2016 SAR	1 January 2016 SAR
Unrealized gain on gold revaluation		595	1,534
Effect on re-measurement of liabilities on statement of profit or loss	34.7	(137,335)	-
Actuarial gains / (losses) on re-measurement of employees end of service benefits	34.7	(613,315)	-
Effect of re-measurement of liabilities on opening retained earnings	34.7	268,991	268,991
Effect of change in policy for inventories	34.6	-	-
Effect on foreign currency translation reserve	34.7	(101,230)	-
		<u>(582,294)</u>	<u>270,525</u>

**34.5 Reconciliation of profits**

	For the year ended 31 December 2016	
	Profit before zakat and tax SAR	Profit for the year SAR
Profit as per SOCPA Standards	90,956,953	72,090,175
Effect on re-measurement of liabilities on statement of profit or loss	(137,335)	(137,335)
Unrealized gain on gold revaluation	(940)	(940)
Profit as per IFRS Standards	<u>90,818,678</u>	<u>71,951,900</u>
Other comprehensive income		(137,645,244)
<b>Total comprehensive income</b>		<u><b>(65,693,344)</b></u>

**34.6 Inventories**

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

	31 December 2016 SAR	1 January 2016 SAR
As per SOCPA Standards	805,705,663	975,644,876
Effect of transition to IFRSs	-	-
As per IFRS Standards	<u>805,705,663</u>	<u>975,644,876</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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**34. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS  
(continued)**

**34.7 Employees' end of service benefits**

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

	31 December 2016 SAR	1 January 2016 SAR
Effect of re-measurement of liabilities on profit or loss	137,335	-
Actuarial losses on re-measurement of employees' end of service benefits	613,315	-
Effect of re-measurement of liabilities on opening retained earnings	(268,991)	(268,991)
Foreign exchange differences	101,230	-
	<u>582,889</u>	<u>(268,991)</u>

**34.8 Reconciliation of consolidated statement of cash flows**

	31 December 2016 SAR	IFRS Transition difference SAR	31 December 2016 (Restated) SAR
Net cash flows used in operating activities	47,171,960	(55,417,009)	(8,245,049)
Net cash flows used in investing activities	(23,809,520)	51,605	(23,757,915)
Net cash flows used in financing activities	(38,000,000)	(54,283,690)	(92,283,690)
<b>Net change in cash and cash equivalents</b>	<b>(14,637,560)</b>	<b>(109,649,094)</b>	<b>(124,286,654)</b>
Cash and cash equivalents at beginning of the year	173,438,279	-	173,438,279
Exchange differences on cash and cash equivalents	(120,282,249)	109,649,094	(10,633,155)
<b>Cash and cash equivalents at end of the year</b>	<b>38,518,470</b>	<b>-</b>	<b>38,518,470</b>