

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

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
31 DECEMBER 2022**

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

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

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INDEPENDENT AUDITOR'S REPORT**To the Shareholders****L'azurde Company for Jewelry and its Subsidiaries**

(A Saudi Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Qualified 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 2022, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Qualified Opinion

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

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia ("ISA"). 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants and endorsed in the Kingdom of Saudi Arabia ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders

L'azurde Company for Jewelry and its Subsidiaries

(A Saudi Joint Stock Company)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements 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.

In addition to the matter described in the Basis for Qualified Opinion section, the following is a description of each key audit matter and how we addressed them during our audit.

1-Impairment assessment of goodwill

Refer to Note (5) for accounting policy relating to goodwill and Note (9) for the goodwill details	
Description of the key audit matter	How the matter was addressed in our audit
<p>The carrying value of goodwill as at 31 December 2022 amounted SAR 110.0 million (2021: SAR 110.0 million).</p> <p>The impairment assessment for the goodwill is considered a key audit matter due to the significant judgments made by management with respect to sales growth rates, terminal value, and discount rate.</p> <p>The Group's management performs an impairment test annually on the recoverability of the goodwill and assesses the recoverable amount of the cash-generating unit (CGU) to which the goodwill relates in order to determine if an impairment exists.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> • Evaluated the methodology used by management to determine the recoverable amount based on value-in-use technique; • Reviewed the appropriateness of the assumptions applied to key inputs such as sales growth rates, discount rates and long-term growth rates, and performed a sensitivity analysis on those key assumptions; • Involved our valuation specialist to assist in evaluating the appropriateness of the discount rates applied, which included comparing the weighted-average cost of capital with sector averages for the relevant markets in which the CGU operates; • Reviewed the adequacy of the Group's consolidated financial statement disclosures for compliance with the requirements of the relevant accounting standards.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Key Audit Matters (Continued)

2-Revenue recognition

Refer to Note (5) for the accounting policy relating to revenue recognition and Note (21 and 32) for the relevant disclosures	
Description of the key audit matter	How the matter was addressed in our audit
<p>The Group recognized total revenues of SAR 1,999 million during the year ended 31 December 2022 (2021: SAR 1,971 million). The Group recognises revenue at a point-in-time basis upon delivery of products to customers.</p> <p>Revenue recognition is considered a key audit matter in view of the presumed risk that management may override controls to intentionally overstate revenue to achieve certain targets or expectations.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> Assessed the appropriateness of the Group's revenue recognition accounting policies by considering the requirements of relevant accounting standards; Evaluated key contractual arrangements by considering relevant documentation and agreements with the customers; Assessed the design and implementation, and tested the effectiveness of the Group's controls, over the recognition of revenue as per the Group's policy; Selected a sample of sales transactions taking place before and after the year-end to assess whether revenue was recognized in the correct accounting period; Considered the adequacy of the disclosures in the Group's consolidated financial statements as per the relevant financial reporting standard.

Other Information Included in the Group's Annual Report

Other information consists of the information included in the Group's 2022 annual report, other than the financial statements and our auditors' report thereon. Management is responsible for the other information in its annual report thereon. The annual report is expected to be made available after the date of this audit report.

Our opinion on the consolidated financial statements does not 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 when they are made available to us 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 to those charged with governance.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders

L'azurde Company for Jewelry and its Subsidiaries

(A Saudi Joint Stock Company)

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 IFRS that are 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 Company, 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, i.e. the Board of Directors, 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 ISA that are endorsed in Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, that are endorsed in the Kingdom of Saudi Arabia, 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

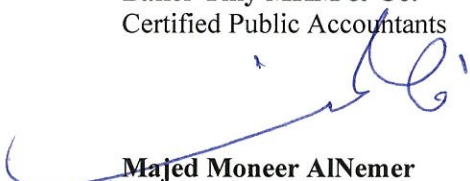
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate 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 the audit committee 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 the audit committee 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, action taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, 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.

Baker Tilly MKM & Co.
Certified Public Accountants


Majed Moneer AlNemer
(License No. 381)
Riyadh, on Ramadan 01, 1444H
Corresponding to March 23, 2023



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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	31 December 2022 SAR	31 December 2021 SAR
ASSETS			
Non-Current Assets			
Property and equipment	7	58,785,688	77,307,161
Right-of-use-assets	8	39,450,481	49,797,196
Intangible assets and goodwill	9	136,551,350	137,932,585
Other non-current assets		1,653,454	2,239,933
Total Non-Current Assets		236,440,973	267,276,875
Current Assets			
Inventories	10	912,181,881	840,405,301
Accounts receivable	11	288,618,364	249,411,794
Other current assets	12	132,884,337	82,123,977
Gold margins	13	53,004,309	36,031,155
Cash margins		-	96,000
Cash and cash equivalents	14	59,103,028	74,501,484
Total Current Assets		1,445,791,919	1,282,569,711
TOTAL ASSETS		1,682,232,892	1,549,846,586
EQUITY AND LIABILITIES			
Equity			
Share capital	15	575,000,000	575,000,000
Statutory reserve	16	27,807,194	24,391,007
Retained earnings		34,820,675	19,356,855
Foreign currency translation reserve	34	(248,176,726)	(164,552,679)
Total Equity		389,451,143	454,195,183
Liabilities			
Non-Current Liabilities			
Employees' end of service benefits	17	28,466,702	30,449,015
Lease liabilities	8	24,192,042	25,181,958
Deferred tax liability	18	1,047,303	1,830,416
Total Non-Current Liabilities		53,706,047	57,461,389
Current Liabilities			
Accounts payable for gold	19	1,143,586,093	941,384,536
Accounts payable and other current liabilities	20	61,777,141	58,106,240
Current portion of lease liabilities	8	9,282,969	13,469,283
Zakat and income tax liability	27	24,429,499	25,229,955
Total Current Liabilities		1,239,075,702	1,038,190,014
Total Liabilities		1,292,781,749	1,095,651,403
TOTAL EQUITY AND LIABILITIES		1,682,232,892	1,549,846,586

Ayman Gamil
Ayman Gamil
Chief Financial Officer

Selim Chidiac
Selim Chidiac
Chief Executive Officer

Sabah Al Moayyed
Sabah Almoayyed
Authorized Board Member

The annexed notes from 1 – 37 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 2022

	Notes	31 December 2022 SAR	31 December 2021 SAR
REVENUE			
Gold	32	1,480,898,604	1,466,175,454
Operations	21	518,728,317	505,306,951
		1,999,626,921	1,971,482,405
COST OF REVENUE			
Gold		(1,480,898,604)	(1,466,175,454)
Operations	22	(191,685,094)	(197,560,500)
GROSS PROFIT		327,043,223	307,746,451
OPERATING EXPENSES			
Selling and marketing expenses	23	(187,991,026)	(178,009,044)
General and administrative expenses	24	(49,692,584)	(44,842,089)
Provision for expected credit loss	11	(3,754,298)	(3,440,063)
OPERATING PROFIT		85,605,315	81,455,255
OTHER EXPENSES			
Other expenses – net	25	(1,270,330)	(10,220,263)
Finance costs – net	26	(31,950,783)	(31,211,903)
PROFIT BEFORE ZAKAT AND INCOME TAX		52,384,202	40,023,089
Zakat	27	(9,821,907)	(8,585,392)
Income tax	27	(8,400,427)	(9,394,864)
NET PROFIT FOR THE YEAR		34,161,868	22,042,833
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the parent		34,161,868	22,042,833
EARNINGS PER SHARE:			
Basic	28	0.59	0.44
Diluted	28	0.59	0.44

Ayman Gamil
Ayman Gamil
 Chief Financial Officer

Selim Chidiac
Selim Chidiac
 Chief Executive Officer

Sabah Al Moayyed
Sabah Almoayyed
 Authorized Board Member

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	31 December 2022 SAR	31 December 2021 SAR
NET PROFIT FOR THE YEAR	34,161,868	22,042,833
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement on employees' end of service benefits (see note 17)	482,615	(2,696,338)
Items that will be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(83,624,047)	219,597
Other comprehensive loss for the year – net of tax	(83,141,432)	(2,476,741)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR	(48,979,564)	19,566,092
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		
ATTRIBUTABLE TO:		
Equity holders of the parent	(48,979,564)	19,566,092

Ayman Gamil
Ayman Gamil
 Chief Financial Officer

Selim Chidiac
Selim Chidiac
 Chief Executive Officer

Sabah Al Moayyed
Sabah Almoayyed
 Authorized Board Member

The annexed notes from 1 – 37 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 2022**

	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Total
	SAR	SAR	SAR	SAR	SAR
Balance at 1 January 2022	575,000,000	24,391,007	19,356,855	(164,552,679)	454,195,183
Net profit for the year	-	-	34,161,868	-	34,161,868
Other comprehensive income / (loss) income for the year	-	-	482,615	(83,624,047)	(83,141,432)
Total comprehensive income / (loss) income for the year	-	-	34,644,483	(83,624,047)	(48,979,564)
Transfer to statutory reserve	-	3,416,187	(3,416,187)	-	-
Dividends (note 33)	-	-	(14,375,000)	-	(14,375,000)
Other distribution (note 33)	-	-	(1,389,476)	-	(1,389,476)
BALANCE AT 31 DECEMBER 2022	575,000,000	27,807,194	34,820,675	(248,176,726)	389,451,143
Balance at 1 January 2021	430,000,000	22,186,724	9,911,958	(164,772,276)	297,326,406
Share capital increase due to rights issue (note 15)	145,000,000	-	-	-	145,000,000
Transaction costs of rights issue (note 15)	-	-	(7,697,315)	-	(7,697,315)
Net profit for the year	-	-	22,042,833	-	22,042,833
Other comprehensive (loss) / income for the year	-	-	(2,696,338)	219,597	(2,476,741)
Total comprehensive income for the year	-	-	19,346,495	219,597	19,566,092
Transfer to statutory reserve	-	2,204,283	(2,204,283)	-	-
BALANCE AT 31 DECEMBER 2021	575,000,000	24,391,007	19,356,855	(164,552,679)	454,195,183

<i>Ayman Gamil</i> Ayman Gamil Chief Financial Officer	<i>Selim Chidiac</i> Selim Chidiac Chief Executive Officer	<i>Sabah Al Moayyed</i> Sabah Almoayyed Authorized Board Member
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The annexed notes from 1 – 37 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 2022

		31 December 2022	31 December 2021
	Notes	SAR	SAR
OPERATING ACTIVITIES			
Profit before zakat and income tax		52,384,202	40,023,089
Adjustments to reconcile profit before zakat and income tax to net cash from operating activities:			
Depreciation of property and equipment	7	13,376,860	16,055,269
Depreciation of right-of-use assets	8	26,351,292	28,278,820
Amortization of intangible assets	9	2,627,983	2,184,994
Provision for employees' end of service benefits	17	3,819,928	4,308,196
Provision for expected credit losses	11	3,754,298	3,440,063
Finance costs	26	31,950,783	30,799,606
Loss / (gain) on sale of property and equipment	25	337,150	(242,033)
Melting costs and charge for slow moving inventory	10	1,900,849	2,379,540
Foreign currency exchange differences - net		(3,547,028)	146,737
Operating cash flows before changes in working capital		132,956,317	127,374,281
Net changes in working capital:			
Inventories		(104,906,818)	(24,845,673)
Accounts receivable		(50,548,538)	11,228,968
Other current assets		(63,839,591)	18,085,754
Accounts payable and other current liabilities		10,339,618	5,436,232
Account payable for gold		202,201,557	(24,906,441)
Gold margins		(16,973,154)	1,376,241
Cash generated from operating activities		109,229,391	113,749,362
Employees' end of service benefits paid	17	(4,988,718)	(4,067,034)
Finance costs paid – accounts payable for gold		(24,730,337)	(19,246,388)
Income taxes paid		(5,830,052)	(4,121,623)
Zakat paid		(6,967,095)	(8,068,119)
Net cash generated from operating activities		66,713,189	78,246,198
INVESTING ACTIVITIES			
Purchase of property and equipment	7	(9,148,679)	(12,728,485)
Proceeds from sale of property and equipment		179,640	577,999
Purchase of intangible assets	9	(1,437,952)	(949,565)
Other non-current assets		586,479	(441,838)
Net cash used in investing activities		(9,820,512)	(13,541,889)
FINANCING ACTIVITIES			
Proceeds from capital increase	15	-	145,000,000
Transaction costs of rights issue	15	-	(7,697,315)
Cash facilities (Tawaruq)		-	(128,245,957)
Long-term murabaha facility		-	(75,000,000)
Long-term payable		-	(52,164,209)
Repayments of lease liabilities	8	(27,405,687)	(38,587,073)
Finance costs paid – cash facilities		(3,162,365)	(7,649,042)
Cash margins		96,000	32,839,190
Dividends and other distribution paid	33	(15,494,642)	-
Net cash used in financing activities		(45,966,694)	(131,504,406)
Net change in cash and cash equivalents		10,925,983	(66,800,097)
Cash and cash equivalents at beginning of the year		74,501,484	141,363,622
Exchange differences on cash and cash equivalents		(26,324,439)	(62,041)
Cash and cash equivalents at end of the year		59,103,028	74,501,484

Ayman Gamil

Ayman Gamil
Chief Financial Officer

Selim Chidiac

Selim Chidiac
Chief Executive Officer

Sabah Al Moayyed

Sabah Almoayyed
Authorized Board Member

The annexed notes from 1 – 37 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 2022**

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

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

The Parent Company directly or indirectly owns 100% as at 31 December 2022 (31 December 2021: 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 Group carries out its activities through the following subsidiaries as set out below:

- a) **ORO Egypt for Manufacturing Precious Metals ("ORO")**
ORO is a Joint Stock Company incorporated in the Arab Republic of Egypt under Commercial Registration number 7877 dated 27 January 2003. The principal activities of ORO are gold jewelry manufacturing and trading.
- b) **L'azurde Egypt for Jewellery LLC ("LJ Egypt")**
LJ Egypt is a Limited Liability Company incorporated in the Arab Republic of Egypt under Commercial Registration number 14997 dated 08 June 2005. The principal activities of LJ Egypt are gold jewelry manufacturing and trading.
- c) **L'azurde Company for Jewellery LLC ("LCJ Dubai")**
LCJ Dubai is a Limited Liability Company incorporated in the United Arab Emirates (Dubai) under Commercial Registration number 620369 dated 23 December 2008. The principal activity of LCJ Dubai is trading of gold jewelry items.
- d) **L'azurde Jewellery LLC ("LJ Abu Dhabi")**
LJ Abu Dhabi is a Limited Liability Company incorporated in the United Arab Emirates (Abu Dhabi) under Commercial Registration number 1060233 dated 1 June 2004. The principal activity of LJ Abu Dhabi is trading of gold jewelry items.
- e) **L'azurde Company for Jewellery LLC ("LCJ Qatar")**
LCJ Qatar is a Limited Liability Company incorporated in the State of Qatar under Commercial Registration number 60716 dated 21 May 2013. The principal activity of LCJ Qatar is trading of gold jewelry items.
- f) **Almujwharat Almasiah LLC ("AA")**
AA is a Limited Liability Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration number 1010236734 dated 25 Rajab 1428H (corresponding to 8 August 2007). The principal activities of AA are trading of gold and silver products and precious stones.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (continued)

- g) **Kenaz LLC ("Kenaz")**
Kenaz is a Limited Liability Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration number 1010352574 dated 21 Dhul Qadah 1433H (corresponding to 6 October 2012). The principal activities of Kenaz are trading of gold and silver products and precious stones.
- h) **L'azurde Group for Gold and Jewellery DMCC ("L'azurde DMCC")**
L'azurde DMCC is a Limited Liability Company registered with Dubai Multi Commodities Centre Authority, UAE under Trade License number DMCC 108442 dated 26 February 2015. The principal activity of L'azurde DMCC is trading of pearls, precious stones, and gold jewellery.
- i) **L'azurde Jewellery LLC ("LJ Oman")**
LJ Oman is a Limited Liability Company registered in the Sultanate of Oman under Commercial Registration number 1320525 dated 30 May 2018. The principal activity of LJ Oman is manufacturing, and trading of jewelry made from precious metals or stones.
- j) **Izdiad Commercial Company of Arabia ("Izdiad")**
Izdiad is a Limited Liability Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 1010458294 dated 25 Dhul Hijjah 1439 (corresponding to 5 September 2018). The principal activity of Izdiad is the trading of jewellery, perfume, men and women accessories, leather products and managing franchises and trademarks.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF PREPARATION

Basis of measurement

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

Basis of consolidation

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

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

The Group controls an investee when it has:

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

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

Business combinations

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

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

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

Functional and presentational currency

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

Provision for expected credit losses of accounts receivable

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

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

Useful lives, residual values, or depreciation method of property and equipment

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

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

Amortization of intangible assets

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

Inventories

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

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

Impairment of non-financial assets

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

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

Provision for zakat and taxes

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

Provision for employees' end of service benefits

The liabilities relating to defined benefit plans are determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of annual reporting period. The method involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of these benefits, such estimates are subject to certain uncertainties. Significant assumptions used to carry out the actuarial valuation have been disclosed in note 17 to these consolidated financial statements.

Fair value measurement

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

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

Fair value measurement (continued)

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

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

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these consolidated financial statements for the year ended 31 December 2022 are consistent with those applied by the Group in its consolidated financial statements for the year ended 31 December 2021, except for the following International Financial Reporting Standards amendments and improvements that become effective after 1 January 2022:

- Amendments IFRS 3 *Business Combination* updating a reference to the Conceptual Framework.
- Amendments to IAS 16 *Property, Plant and Equipment* prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* regarding the costs to include when assessing whether a contract is onerous.
- Annual Improvements to IFRS 2018-2020 Revised Cycle of IFRS 1, 9 and 16 and IAS 41.

The Group's management believes that the new standards or amendments effective from 1 January 2022 do not have a material effect on the Group's financial statements.

Property and equipment

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

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

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

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

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

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

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

Property and equipment (continued)

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

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

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

Capital work in progress (CWIP)

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

Right-of-use assets and lease liabilities

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

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

Measurement and recognition of leases

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

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

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

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

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

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

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

Intangible assets and goodwill

Intangible assets

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

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

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

Goodwill

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

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

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

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

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

Inventories

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

- Raw materials in the form of gold are determined at purchase cost using the First-In-First-Out (FIFO) method and other raw materials, consumables and other manufacturing materials are determined at purchase costs on weighted average basis.
- Work in progress and finished goods are determined at cost of direct material, labor and overheads based on a normal level of activity.

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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

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

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

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

In the periods presented the Group does not have any financial assets categorized as FVOCI. The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

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

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets at fair value through profit or loss (FVTPL)

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

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

Financial assets at fair value through other comprehensive income (FVOCI)

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

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

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

Impairment of financial assets

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

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

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

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

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

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

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

Accounts and other receivables

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

Other financial assets such as receivable from employees, bank balances and cash and gold margin deposits have low credit risk and the impact of applying ECL is immaterial.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and measurement of financial liabilities

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

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

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

All interest-related costs and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments and hedge accounting

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

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

Accounts payable and accruals

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

Provisions

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

Contingent liabilities

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

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

Employees' end of service benefits

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

The entitlement to these benefits is based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Provision is made annually based on valuation done by an independent professional actuary, in accordance with the requirements of IAS 19 "Employee Benefits" using Projected Unit Credit Method. Last valuation was carried out on 31 December 2022.

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

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

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

Revenue from Gold

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

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

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

Revenue (continued)

Revenue from Operations

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

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

Foreign currency transactions

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

Translation of foreign operations

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

Expenses

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

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Gold revaluation

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

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5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Gold revaluation (continued)

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

Basic and diluted earnings per share

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

Segmental reporting

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

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
- Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
- Amendments to IAS 1 <i>Presentation of Financial Statements</i> regarding the classification of liabilities.	January 1, 2024
- Amendments to IFRS 16 <i>Leases</i> relating to sale transactions and re-lease.	January 1, 2024
-Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practices 2 <i>Exercising Jurisprudence on Materiality - Disclosure of Accounting Policies</i>	January 1, 2023
-IFRS 17 <i>Insurance Contracts</i> establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts and supersedes IFRS 4 <i>Insurance Contracts</i> .	January 1, 2023
-Amendments to IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> - Definition of Accounting Estimates	January 1, 2023
-Amendments to IAS 12 <i>Income Tax</i> - Deferred tax relating to assets and liabilities arising from a single transaction	January 1, 2023

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

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7. PROPERTY AND EQUIPMENT

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

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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 2021 SAR
Cost:										
At the beginning of the year	349,363	88,727,559	72,043,403	26,837,717	8,049,122	25,865,390	13,675,027	45,724,264	403,656	281,675,501
Transfer from CWIP	-	-	-	-	-	-	-	401,253	(401,253)	-
Additions	-	-	2,291,638	1,186,903	1,890,288	2,882,970	19,245	4,403,042	54,399	12,728,485
Disposals	-	-	(547,591)	(359,602)	(593,494)	(210,585)	-	(854,787)	-	(2,566,059)
Currency translation differences	301	21,293	20,775	2,844	1,097	11,359	2,325	13,308	(29)	73,273
At the end of the year	349,664	88,748,852	73,808,225	27,667,862	9,347,013	28,549,134	13,696,597	49,687,080	56,773	291,911,200
Accumulated depreciation:										
At beginning of the year	-	49,186,689	57,607,548	22,204,486	7,020,512	21,428,292	12,010,232	31,294,027	-	200,751,786
Depreciation charge for the year	-	1,583,629	3,036,061	1,965,300	639,821	2,356,545	198,260	6,275,653	-	16,055,269
Relating to disposals	-	-	(289,685)	(359,601)	(593,489)	(178,275)	-	(809,043)	-	(2,230,093)
Currency translation differences	-	1,861	6,564	1,585	848	8,330	1,619	6,270	-	27,077
At the end of the year	-	50,772,179	60,360,488	23,811,770	7,067,692	23,614,892	12,210,111	36,766,907	-	214,604,039
Net book value:										
As at 31 December 2021	349,664	37,976,673	13,447,737	3,856,092	2,279,321	4,934,242	1,486,486	12,920,173	56,773	77,307,161

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7. PROPERTY AND EQUIPMENT (continued)

Depreciation charge for the year has been allocated as follows:

	Notes	31 December 2022 SAR	31 December 2021 SAR
Cost of operations	22	4,253,674	5,523,103
Selling and marketing expenses	23	8,020,950	9,370,241
General and administrative expenses	24	1,102,236	1,161,925
		13,376,860	16,055,269

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

	Land SAR	Buildings – shops SAR	Total SAR
2022:			
At beginning of the year	2,235,258	47,561,938	49,797,196
Additions	-	28,139,107	28,139,107
Depreciation charge for the year	(193,668)	(26,157,624)	(26,351,292)
Currency translation differences	-	(12,134,530)	(12,134,530)
At end of the year	2,041,590	37,408,891	39,450,481
2021:			
At beginning of the year	2,428,926	31,267,821	33,696,747
Additions	-	44,363,439	44,363,439
Depreciation charge for the year	(193,668)	(28,085,152)	(28,278,820)
Currency translation differences	-	15,830	15,830
At end of the year	2,235,258	47,561,938	49,797,196

The movement in lease liability is as follows:

	Note	31 December 2022 SAR	31 December 2021 SAR
At beginning of the year		38,651,241	29,454,263
Additions		28,139,107	44,363,439
Finance costs	26	4,198,142	3,402,882
Payments		(27,405,687)	(38,587,073)
Currency translation differences		(10,107,792)	17,730
At end of the year		33,475,011	38,651,241

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

Non-current portion of lease liabilities	24,192,042	25,181,958
Current portion of lease liabilities	9,282,969	13,469,283
Total lease liabilities	33,475,011	38,651,241

Expense relating to short-term leases was SAR 2.2 million (2021: SAR 1.1 million) (see note 23).

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9. INTANGIBLE ASSETS AND GOODWILL

		31 December 2022 SAR	31 December 2021 SAR
Franchise agreement and computer software	9.1	26,573,499	27,954,734
Goodwill	9.2	109,977,851	109,977,851
		136,551,350	137,932,585

		31 December 2022 SAR	31 December 2021 SAR
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9.1 Franchise agreement and computer software:

Gross carrying amount:

As at 1 January	41,175,996	40,225,536
Additions	1,437,952	949,565
Currency translation differences	(597,968)	895
As at 31 December	42,015,980	41,175,996

Accumulated amortization:

As at 1 January	13,221,262	11,035,571
Charge for the year	2,627,983	2,184,994
Currency translation differences	(406,764)	697
As at 31 December	15,442,481	13,221,262
Net carrying amount as at 31 December	26,573,499	27,954,734

9.2 Goodwill

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

	31 December 2022 SAR	31 December 2021 SAR
Gross carrying amount:		
As at 1 January and 31 December	109,977,851	109,977,851
Accumulated impairment:		
As at 1 January and 31 December	-	-
Net carrying amount as at 31 December	109,977,851	109,977,851

Goodwill is subject to annual impairment testing. Assets are tested for impairment by comparing the carrying amount of each Cash-Generating Unit (CGU) to the recoverable amount which has been determined based on a value-in-use calculation using cash flow projections based on financial forecasts approved by Company's Board of Directors covering a period of 10 years. A 10-year projections period was used as the acquisition value of the asset was based on 10 years projection which is the period needed for the asset to reach its full potential and the contracted network of shops agreed with the Franchisor. The discount rate applied to cash flow projections is 6.7%, and it was further tested for sensitivity at 7.6% (2021: 7.5%), as relevant for the CGU and the terminal value and cash flows beyond the 10 years period are extrapolated using a 2% (2021: 2%) growth rate.

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9. INTANGIBLE ASSETS AND GOODWILL (continued)

9.2 Goodwill (continued)

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

- (a) **Sales growth assumption:** The anticipated annual revenue growth included in the cash flow projections has been based on historical experience and expectations of future changes in the market conditions.
- (b) **Discount rate:** Discount rate reflects the current market assessment of the risk specific to CGU. The discount rate is estimated based on the Weighted Average Cost of Capital (WACC).
- (c) **Growth rate used to extrapolate cash flows beyond the forecast period:** The expected long-term perpetual growth rate assumed is 2%, being the expected inflation rate as published by International Monetary Fund (IMF), specific to the country of operations of the CGU.

Sensitivity analysis:

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the CGU including goodwill to materially exceed its recoverable amount. The Company has tested several higher discount rates above 7.6% and believes that reasonable changes in the discount rate and other key assumptions would not trigger recognition of impairment loss.

10. INVENTORIES

	31 December 2022 SAR	31 December 2021 SAR
<u>By main components:</u>		
Gold	796,463,687	701,290,980
Diamonds, stones, and pearls	110,451,360	135,270,492
Other materials and accessories	23,625,110	25,907,281
	<u>930,540,157</u>	<u>862,468,753</u>
Less: Provision for melting and slow-moving items	<u>(18,358,276)</u>	<u>(22,063,452)</u>
	<u>912,181,881</u>	<u>840,405,301</u>
<u>By stage of completion:</u>		
Finished goods	442,756,016	408,039,270
Raw materials	486,785,633	451,110,458
Work in progress	998,508	3,319,025
	<u>930,540,157</u>	<u>862,468,753</u>
Less: Provision for melting and slow-moving items	<u>(18,358,276)</u>	<u>(22,063,452)</u>
	<u>912,181,881</u>	<u>840,405,301</u>

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

		31 December 2022 SAR	31 December 2021 SAR
	Note		
Balance at 1 January		22,063,452	24,629,853
Charge for the year	22	1,900,849	2,379,540
Utilization during the year		(3,566,773)	(4,947,077)
Currency translation differences		<u>(2,039,252)</u>	<u>1,136</u>
Balance at 31 December		<u>18,358,276</u>	<u>22,063,452</u>

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11. ACCOUNTS RECEIVABLE

	31 December 2022 SAR	31 December 2021 SAR
Accounts receivable - Gross	320,293,725	284,136,069
Provision for expected credit losses	(31,675,361)	(34,724,275)
Accounts receivable - Net	288,618,364	249,411,794

Accounts receivable originate from offering term facilities to the Group's wholesale customers to pay their commitments, including the value of the gold purchased. These credit terms are in response to the demand of Group's wholesale customers and are considered to be in compliance with Shari'a provisions according to Shari'a opinion issued by the Shari'a Advisory Committee of the Council of Saudi Chambers, a number of Shari'a Scholars and the conclusion of the meetings between these Scholars and the Group's management (see note 35). Credit sales are only offered to the Group's wholesale customers and not retail customers.

The Group applies the IFRS 9 simplified approach to measure expected credit losses and uses a lifetime expected loss allowance for all accounts receivable. See note 31.1 (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 expected credit losses is as follows:

	31 December 2022 SAR	31 December 2021 SAR
At beginning of the year	34,724,275	34,271,778
Charge for the year	3,754,298	3,440,063
Amounts recovered during the year	-	530,014
Utilization during the year	-	(3,540,386)
Foreign exchange differences	(6,803,212)	22,806
At the end of the year	31,675,361	34,724,275

12. OTHER CURRENT ASSETS

	31 December 2022 SAR	31 December 2021 SAR
Prepayments	16,590,402	11,863,427
Advance to suppliers	12,906,650	15,445,398
Advance to employees	2,462,802	3,187,162
Refundable VAT and other balances	10,398,479	18,357,580
Other receivables	90,526,004	33,270,410
	132,884,337	82,123,977

13. GOLD MARGINS

This balance represents the gold provided as margin against the accounts payable for gold (note 19).

14. CASH AND CASH EQUIVALENTS

	31 December 2022 SAR	31 December 2021 SAR
Cash in hand	11,564,514	11,201,542
Cash at banks	47,538,514	63,299,942
	59,103,028	74,501,484

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15. SHARE CAPITAL

	31 December 2022 SAR	31 December 2021 SAR
At beginning of the year	575,000,000	430,000,000
Increase in share capital during the year	-	145,000,000
At end of the year	<u>575,000,000</u>	<u>575,000,000</u>

The authorized and paid-up share capital of the Company as at 31 December 2022 is SAR 575,000,000 (31 December 2021: SAR 575,000,000), divided into 57,500,000 shares (31 December 2021: 57,500,000 shares) with a face value of SAR 10 per share.

On 11 October 2020, the Board of directors of the Company recommended an increase of SAR 145,000,000 in the Company's share capital by way of rights issue by issuing 14,500,000 shares at SAR 10 each. The Company's request for share capital increase was approved by the Capital Market Authority on 7 April 2021 and subsequently presented and approved by the Company's Shareholders at the Extraordinary General Assembly held on 2 June 2021. The Company finalized all regulatory requirements related to the share capital increase on 30 June 2021. The total transaction costs in relation to the share capital increase amounted to SAR 7.7 million and these were reduced from the retained earnings of the Company in line with the requirements of applicable accounting standards. The purpose of the share capital increase is to use the proceeds of the offering to finance expansion plans in retail channel, reduce debt and develop e-commerce platforms.

16. STATUTORY RESERVE

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

17. EMPLOYEES' END OF SERVICE BENEFITS

General description

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

The annual provision is based on the actuarial valuations. The most recent actuarial valuation was performed by an independent actuary, using the Projected Unit Credit Method as at 31 December 2022.

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

	31 December 2022 SAR	31 December 2021 SAR
Note		
At the beginning of the year	30,449,015	27,508,541
Charge for the year	4,383,186	4,308,196
Payments during the year	(4,988,718)	(4,067,034)
Actuarial (gain) / loss	(482,615)	2,696,338
Currency translation differences	(894,166)	2,974
At the end of the year	<u>28,466,702</u>	<u>30,449,015</u>

Principal actuarial assumptions:

Financial assumptions:

Discount rate	4.3% to 6.1%	2%
Salary increase	2.0% to 6.1%	2% to 5%

Demographic assumption:

Rate of employee turnover	High	High
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17. EMPLOYEES' END OF SERVICE BENEFITS (continued)

Cost recognized in consolidated statement of profit or loss:

Service costs:

		2022 SAR	2021 SAR
• Current service cost		3,819,928	3,895,899
• Interest cost on defined benefit obligation	26	563,258	412,297
		<u>4,383,186</u>	<u>4,308,196</u>

Sensitivity analysis:

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

18. DEFERRED TAX LIABILITY – NET

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

	31 December 2022 SAR	31 December 2021 SAR
At the beginning of the year	1,830,416	1,725,119
Charge for the year	114,444	103,156
Currency translation differences	(897,557)	2,141
At the end of the year	<u>1,047,303</u>	<u>1,830,416</u>

19. ACCOUNTS PAYABLE FOR GOLD

	31 December 2022 SAR	31 December 2021 SAR
Accounts payable for gold from banks	<u>1,143,586,093</u>	<u>941,384,536</u>

The Group procures its entire needs of gold for production exclusively from various banks under annual agreements covering gold purchases with agreed payment terms ranging from 1 to 3 months (2021: 1 to 3 months) and agreed profit rates. The settlement of the gold procured at the maturity dates is always made in gold and not in cash, while the profit margin is always settled in cash.

The Group has provided a standby letter of credit to a bank amounting to SAR 420 million (31 December 2021: SAR 500 million) as security against procured gold.

20. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

		31 December 2022 SAR	31 December 2021 SAR
Accounts payable		29,566,374	26,367,762
Accrued expenses		19,394,415	17,479,120
Accrued financial costs		1,148,168	1,000,444
Employees payables		1,061,440	2,481,154
Amounts due to related parties	29	511,698	773,823
Other payables		<u>10,095,046</u>	<u>10,003,937</u>
		<u>61,777,141</u>	<u>58,106,240</u>

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21. REVENUE

Revenue includes revenue from gold and revenue from operations. Revenue from gold relates to the value of gold weight used in generating the operating revenues from wholesale channels. The presentation of revenue from gold serves as statistical information only as the Group does not generate any profit or loss from selling gold through wholesale channels. Revenue from operations represents the value-added component of the jewelry piece, namely the labor service charge revenue, value of additions and other sources of revenue generated through wholesale channels, and gold and diamond jewelry sold through the retail channels. The revenue is recognized at a point of time.

Revenue from operations can be analyzed as follows:

	31 December 2022		31 December 2021	
	SAR	% of total	SAR	% of total
On cash basis	255,337,088	49.2%	261,781,121	51.8%
On credit basis	263,391,229	50.8%	243,525,830	48.2%
Total revenue from operations	518,728,317	100.0%	505,306,951	100.0%

22. COST OF OPERATIONS

	Notes	31 December 2022 SAR	31 December 2021 SAR
Raw materials consumed		131,104,055	139,064,176
Salaries and employees' benefits		43,742,395	41,297,366
Melting costs and charge for slow-moving inventory	10	1,900,849	2,379,540
Depreciation of property and equipment	7	4,253,674	5,523,103
Other		10,684,121	9,296,315
		191,685,094	197,560,500

23. SELLING AND MARKETING EXPENSES

	Notes	31 December 2022 SAR	31 December 2021 SAR
Gold calibration costs	23.1	43,073,623	38,736,187
Salaries and employees' benefits		35,857,851	33,203,015
Depreciation of right-of-use assets		23,884,627	26,219,961
Advertisements and promotional activities		31,110,834	32,467,614
Sales commissions		18,686,232	17,760,695
Depreciation of property and equipment	7	8,020,950	9,370,241
Amortization of intangible assets		1,963,739	1,912,380
Travel expenses		1,768,741	1,494,962
Insurance expenses		808,451	926,370
Rent	8	2,206,106	1,067,165
Other expenses		20,609,872	14,850,454
		187,991,026	178,009,044

23.1 Gold calibration charges result from lower gold purity in physical gold collected from customers, as settlement of their accounts receivable balances denominated in gold. The Group records this charge as part of the accounts receivable collection department expenses in the "Selling and marketing expenses", in line with the Group's and industry's practice, as this expense is incurred at the time of settlement of accounts receivable and due to the Group's commercial policy of accepting lower gold purity from customers to avoid any delay in the collection, any impact of gold price fluctuation, higher credit risk, increase in working capital and the associated financing cost. Accordingly, this charge results from a commercial decision of accepting lower purity gold from customers, and this decision can be changed at any time by the Company depending on market circumstances and has no connection to the cost of production.

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24. GENERAL AND ADMINISTRATIVE EXPENSES

		31 December 2022 SAR	31 December 2021 SAR
	Note		
Salaries and employees' benefits		35,714,672	32,052,719
Consultancy and professional fees		2,755,314	2,575,732
Depreciation of property and equipment	7	1,102,236	1,161,925
Printing, stationery, and communication expenses		978,534	930,459
Travel expenses		1,226,846	778,418
Repairs and maintenance expenses		649,361	736,695
Depreciation of right-of-use assets		126,109	113,341
Other expenses		7,139,512	6,492,800
		49,692,584	44,842,089

25. OTHER EXPENSES - NET

		31 December 2022 SAR	31 December 2021 SAR
Gain / (loss) from foreign exchange differences – net		3,547,028	(146,737)
(Loss) / gain on disposal of property and equipment		(337,150)	242,033
Restructuring costs		-	(7,344,003)
Bank charges		(2,692,330)	(2,355,297)
Miscellaneous		(1,787,878)	(616,259)
		(1,270,330)	(10,220,263)

26. FINANCE COSTS - NET

		31 December 2022 SAR	31 December 2021 SAR
	Notes		
Financing costs		27,189,383	27,396,724
Interest cost on employees' end of service benefits	17	563,258	412,297
Interest on lease liabilities	8	4,198,142	3,402,882
		31,950,783	31,211,903

27. ZAKAT AND INCOME TAX

Zakat charge and liability

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

	31 December 2022 SAR	31 December 2021 SAR
Zakat base		
Equity	603,253,220	530,178,203
Opening provisions and other adjustments	125,959,784	121,579,376
Book value of long-term assets	(484,962,340)	(431,829,553)
	244,250,664	219,928,026
Zakatable income for the year	62,421,950	50,150,888
Zakat base	306,672,614	270,078,914

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27. ZAKAT AND INCOME TAX (continued)

The movement in zakat liability is as follows:

	2022 SAR	2021 SAR
At the beginning of the year	14,627,107	14,109,834
Charge for the year	9,821,907	8,585,392
Payments	(6,967,095)	(8,068,119)
At the end of the year	17,481,919	14,627,107

Status of zakat assessments

The Company has filed the zakat returns for all the years up to 2021 and obtained respective zakat certificates. The Company has received an assessment for the year 2015 with a liability of approximately SAR 10.5 million in addition to delay penalty, relating to a potential income tax liability on one of its previous shareholders. The Company has appealed to General Secretariat for Zakat, Tax and Customs Committees (GSTC). No provision was created for this assessment as the Company believes that this matter relates to previous shareholder.

Income tax charge and liability

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

	2022 SAR	2021 SAR
Income tax	8,285,983	9,291,708
Deferred tax	114,444	103,156
	8,400,427	9,394,864

The movement in income tax liability is as follows:

	2022 SAR	2021 SAR
At the beginning of the year	10,602,848	5,427,248
Charge during the year	8,285,983	9,291,708
Currency translation differences	(6,111,199)	5,515
Payments during the year	(5,830,052)	(4,121,623)
At the end of the year	6,947,580	10,602,848

Status of income tax assessments related to foreign subsidiaries

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

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

L'azurde Jewellery LLC ("LJ Oman"), registered in the Sultanate of Oman, filed its first tax return for year ended 31 December 2020 and no assessment has been received yet.

L'azurde Company for Jewellery LLC ("LCJ Qatar"), registered in the State of Qatar, has filed its tax returns for all years up to 2021 and the tax assessments for the company have been finalized up to 2015.

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

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28. EARNINGS PER SHARE - BASIC AND DILUTED

	31 December 2022	31 December 2021
Basic and diluted earnings per share		
Net profit for the year attributable to equity holders of the parent (in SAR)	34,161,868	22,042,833
Weighted average number of ordinary shares during the year	57,500,000	50,250,000
Basic and diluted earnings per share (in SAR)	0.59	0.44

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 2022 (31 December 2021: nil).

The weighted average number of ordinary shares for year 2021 takes into consideration the capital increase by way of rights issue happened on 30 June 2021 (see note 15).

29. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

Nature of transactions		Amount of transactions		Balances	
		December 2022 SAR	December 2021 SAR	December 2022 SAR	December 2021 SAR
<u>Due to related parties:</u>					
Board of Directors	Remuneration	2,724,000	2,544,349	1,358,422	685,698
Director	Consultancy	402,500	352,500	100,625	88,125
		3,126,500	2,896,849	1,459,047	773,823
<u>Due from related parties:</u>					
Board of Directors	Reversal of 2021 disapproved remuneration	(2,544,349)	-	(947,349)	-

Remuneration of key management personnel:

	31 December 2022 SAR	31 December 2021 SAR
Salaries	4,915,632	4,824,980
Allowances	2,416,716	2,489,664
Short-term incentive plans	3,200,625	924,000
	10,532,973	8,238,644

30. CONTINGENCIES AND COMMITMENTS

Contingencies:

The Group provided letters of guarantees amounting to SAR 7.1 million as at 31 December 2022 (31 December 2021: SAR 8.8 million) in relation to its operations.

Commitments:

The Group has SAR 4.4 million of commitments in respect of capital expenditures as at 31 December 2022 (31 December 2021: SAR 0.1 million).

The Group has SAR 9 million of commitment of EUR forward currency contracts and SAR 34 million of gold forward contracts as at 31 December 2022 (31 December 2021: nil).

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31. FINANCIAL INSTRUMENTS

31.1 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:

<u>Net gold assets/(liabilities)</u>	<u>31 December 2022</u>		<u>31 December 2021</u>	
	<u>SAR</u>	<u>Grams (24 Karat)</u>	<u>SAR</u>	<u>Grams (24 Karat)</u>
Gold – inventories (non-financial asset)	748,875,218	3,440,496	659,724,117	3,006,437
Gold asset – margins	53,004,309	243,514	36,031,155	164,198
Gold – accounts receivable	253,609,646	1,165,138	217,109,333	989,392
Gold – other current assets	88,154,285	405,000	28,595,816	130,314
Gold liabilities – accounts payable	(1,143,586,0	(5,253,882)	(941,384,536)	(4,289,994)
Net gold assets	57,365	266	75,885	347

During the year, the Group entered into a gold price forward contract at contracted gold rate of USD 1,748/ounce for a notional gold quantity of 310 ounces. The fair value adjustment amounting to SAR 0.2 million was recognized through consolidated statement of profit or loss (2021: nil).

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding accounts receivable 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:

		<u>31 December 2022</u>	<u>31 December 2021</u>
	<u>Notes</u>	<u>SAR</u>	<u>SAR</u>
Other non-current assets		1,653,454	2,239,933
Accounts receivable	11	288,618,364	249,411,794
Other current assets		103,387,285	54,815,152
Bank balances	13	47,538,514	63,299,942
Cash margins		-	96,000
Gold margins		53,004,309	36,031,155
		494,201,926	405,893,976

Cash balances are held with banks having sound credit ratings. The accounts receivable is shown net of allowance for expected credit losses. The Group applies the IFRS 9 simplified approach to measure expected credit losses and uses a lifetime expected loss allowance for all accounts receivable. To measure the expected credit losses, accounts receivable has been grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information based on macroeconomic factors affecting the ability of the customers to settle the receivable balance. As at 31 December, the ageing of unimpaired accounts receivable was as follows:

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31. FINANCIAL INSTRUMENTS (continued)

31.1 Risk Management of Financial Instruments (continued)

b) Credit risk (continued)

	31 December 2022 SAR	31 December 2021 SAR
Neither past due nor impaired	232,276,221	208,739,117
Past due but not impaired:		
(a) Less than 180 days	48,439,411	25,705,622
(b) 181 – 270 days	1,615,460	1,928,719
(c) 271 – 360 days	1,828,417	507,602
(d) 361 – 540 days	387,422	1,550,911
(e) Greater than 540 days	4,071,433	10,979,823
	288,618,364	249,411,794

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

	31 December 2022 SAR	31 December 2021 SAR
Kingdom of Saudi Arabia	287,263,971	248,949,191
United Arab Emirates	1,354,393	462,603
Accounts receivable - Net	288,618,364	249,411,794

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. During the year, the Group undertook significant transactions in currencies other than Saudi Riyals such as US Dollar, Euros and Egyptian Pounds. Management regularly monitors the fluctuations in currency exchange rates and the effect of currency rates have been accounted for in the consolidated financial statements.

c) Currency risk

Since Saudi Riyal is on a fixed parity with the US Dollar, the Group is mainly exposed to currency risk due to Egyptian Pound only. The quantitative data regarding the Group's exposure to currency risk arising from Egyptian Pound is as follows:

	31 December 2022 SAR	31 December 2021 SAR
Cash and cash equivalents	31,533,142	44,044,411
Accounts receivable	11,111,794	15,925,065
Accounts payable and other current liabilities	(12,326,361)	(12,517,776)
Net statement of financial position exposure	30,318,575	47,451,700

A strengthening / (weakening) of the Egyptian Pound by 5% against Saudi Riyal would have affected the measurement of financial instruments denominated in Egyptian Pound and would have increased / (decreased) equity by SAR 1.4 million at year ended 31 December 2022 (31 December 2021: SAR 2.3 million).

During the year, the Group has entered into currency forward contracts for EUR against USD. The contracted exchange rate ranged from 1.01 to 1.10 with a notional amount of EUR 800,000 and the fair value adjustment amounting to SAR 1.0 million was recognized through consolidated statement of profit or loss (2021: nil).

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31. FINANCIAL INSTRUMENTS (continued)

31.1 Risk Management of Financial Instruments (continued)

d) Market price risk

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

e) Liquidity risk

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

31 December 2022:	Notes	0 - 12 months SAR	Over 12 months SAR	Total SAR
<u>Financial liabilities:</u>				
Lease liabilities	8	9,282,969	24,192,042	33,475,011
Accounts payable for gold	18	1,143,586,093	-	1,143,586,093
Accounts payable and other current liabilities	19	61,777,141	-	61,777,141
Total		1,214,646,203	24,192,042	1,238,838,245
31 December 2021:	Notes	0 - 12 months SAR	Over 12 months SAR	Total SAR
<u>Financial liabilities:</u>				
Lease liabilities	8	13,469,283	25,181,958	38,651,241
Accounts payable for gold	18	941,384,536	-	941,384,536
Accounts payable and other current liabilities	19	58,106,240	-	58,106,240
Total		1,012,960,059	25,181,958	1,038,142,017

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:

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

31.2 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).

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31. FINANCIAL INSTRUMENTS (continued)

31.2 Fair value of financial assets and financial liabilities (continued)

The following table presents 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 measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2022:	Fair value (in SAR)			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Accounts receivable	253,609,646	-	-	253,609,646
Other current assets	88,154,285	-	-	88,154,285
Gold margins	53,004,309	-	-	53,004,309
Financial liability:				
Account payable for gold	1,143,586,093	-	-	1,143,586,093
31 December 2021:	Fair value (in SAR)			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Accounts receivable	217,109,333	-	-	217,109,333
Other current assets	28,595,816	-	-	28,595,816
Gold margins	36,031,155	-	-	36,031,155
Financial liability:				
Account payable for gold	941,384,536	-	-	941,384,536

32. SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to chief operating decision makers of the Company. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments have been identified as the Executive Management and the Board of Directors. For management purpose, the Company is organized into the following operating and geographical segments:

A. Operating segments:

	Wholesale SAR	Retail SAR	Total SAR
31 December 2022:			
Revenue - Gold	1,480,898,604	-	1,480,898,604
- Operations	291,318,482	227,409,835	518,728,317
Gross profit	207,029,231	120,013,992	327,043,223
Net book value of property and equipment	50,706,779	8,078,909	58,785,688
Total assets	1,437,664,952	244,567,940	1,682,232,892
Total liabilities	(1,257,597,676)	(35,184,073)	(1,292,781,749)
31 December 2021:			
Revenue - Gold	1,466,175,454	-	1,466,175,454
- Operations	280,147,387	225,159,564	505,306,951
Gross profit	191,466,166	116,280,285	307,746,451
Net book value of property and equipment	65,675,051	11,632,110	77,307,161
Total assets	1,287,240,832	262,605,754	1,549,846,586
Total liabilities	(1,061,683,230)	(33,968,173)	(1,095,651,403)

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32. SEGMENTAL INFORMATION (continued)

B. Geographical segments:

	Gulf Cooperation Council (GCC) countries SAR	Arab Republic of Egypt SAR	Total SAR
31 December 2022:			
Revenue	290,958,313	1,708,668,608	1,999,626,921
Net book value of property and equipment	35,471,078	23,314,610	58,785,688
31 December 2021:			
Revenue	354,663,455	1,616,818,950	1,971,482,405
Net book value of property and equipment	32,466,866	44,840,295	77,307,161

33. DIVIDENDS

On 1 Dhul Hijjah 1443H (corresponding to 30 June 2022), the Extraordinary General Assembly approved distribution of cash dividends of SAR 0.25 per share amounting to SAR 14,375,000 for the year 2021.

One of the Group's subsidiary, ORO Egypt for Manufacturing Precious Metals, declared and paid dividend of SAR 1,389,476 equivalent to EGP 6,964,749 (2021: nil).

34. FOREIGN CURRENCY TRANSLATION RESERVE

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

35. COMPLIANCE WITH SHARI'A RULES

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

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

The Group relies in its policies for wholesale gold sales on selling gold jewelry on credit basis against gold or crushed gold that is equal to it in weight plus an additional charge for workmanship, based on the Shari'a opinion which permits selling of gold jewelry on credit basis. This is the point of view of a group of scholars of Islamic jurisprudence, including Imam Ibn Taymiyah and his disciple Ibn al-Qayyim, which also includes a number of contemporary scholars, including a number of members of the Shari'a Board of AAOIFI, as well as issuance of Shari'a opinion by the Shari'a Advisory Committee of the Council of Saudi Chambers; based on a request of the National Committee for Precious Metals and Gemstones regarding sale of gold jewelry by gold traders and manufacturers, where their conclusion stipulated the permissibility of gold and silver credit sales between retailers and wholesalers and manufacturers, subject to the following guidelines:

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

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35. COMPLIANCE WITH SHARI'A RULES (continued)

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

36. SUBSEQUENT EVENTS

On 1 Ramadan 1444H (corresponding to 23 March 2023), the Board of Directors proposed a distribution of cash dividends for the year 2022 amounting to SAR 17,250,000 (at SAR 0.30 per share). The proposed dividends are subject to approval of the shareholders in the upcoming Annual General Assembly.

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

37. BOARD OF DIRECTORS APPROVAL

These Consolidated Financial Statements were approved by the Board of Directors on 1 Ramadan 1444H (Corresponding to 23 March 2023).