**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 2019**

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 2019

Aldar Audit Bureau
Abdullah Al Basri & Co.
Member Firm of Grant Thornton International Ltd.
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Certified Accountants
Professional Partnership Co.
Lic. No. 323/11/36
C.R. 1010443881
C.C. 15070

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of L'azurde Company for Jewelry (the "Company") and its Subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements taken as a whole present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as endorsed in the Kingdom of Saudi Arabia by the Saudi Organization for Certified Public Accountants (SOCPA) and other standards and pronouncements endorsed by SOCPA.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters (KAMs)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter, a description of how our audit addressed the matter is set out below:

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Key Audit Matters (KAMs) (continued)

1. **Purchase Price Allocation ("PPA") on the acquisition of Izdiad Retail Company of Arabia:** As disclosed in note 33, the Group acquired 100% of the share capital of Izdiad Company for 185.5 million.

   In line with the requirements of IFRS 3 "Business Combinations" the Group performed a PPA. The PPA is subject to significant judgements and estimation in the identification of intangible assests, valuation of tangible and intangible assets (including goodwill) and determination of amortization period for the identified intangible assets. The Group managed engaged an external professional firm to perform PPA. The judgement involved in determining the PPA as well as the value allocated to intangible asset makes the purchase price allocation a key audit matter.

   Our audit procedures in this area included, among others:

   - Evaluated the qualifications and competence of the external professional firm;
   - Held discussions with the management and the external professional firm to obtain an understanding of the purchase price allocation exercise;
   - With the assistance of our internal valuation specialist, we reviewed the basis of determination made that the franchise was the only identifiable intangible asset acquired as part of the acquisition of Izdiad and the key assumptions used to determine its fair value;
   - Assessed the reasonableness of the assumptions used in determining the useful life of the definite life intangible asset acquired, against those determined by the professional firm; and
   - Assessed the disclosures included in note 33 against the relevant IFRS disclosure requirements.

   Based on the work performed we found the identification of the intangible asset and the valuation method used to be appropriate.

2. **Carrying value of goodwill:** As at 31 December 2019, the Group had goodwill, which arose on past business combination amounting to 109.9 million.

   The annual impairment testing of goodwill is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgement required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of the cash generating unit (CGU), which is based on the higher of the value in use or fair value less costs to sell, has been derived from discounted forecast cash flow models. These models use several key assumptions, including estimates of future sales growth rates, terminal value growth rates and the weighted-average cost of capital (discount rate).

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

Key Audit Matters (KAMs) (continued)

2. Carrying value of goodwill (continued)

Our audit procedures in this area included, among others:

- Assessed the methodology used by the management to determine recoverable amount based on value-in-use technique of the assets in the CGU and compared it with that of IAS 36. We also tested the methametical accuracy of the impairment model;
- Evaluating the appropriateness of the assumptions applied to key inputs such as sales growth rates, discount rates and long-term growth rates, which includes comparing these inputs with externally derived data as well as our own assessment based on our knowledge of the client and the industry;
- Reconciling input data used in the cash flow forecasts to supporting evidence, such as approved budgets and considering the resonablesness of those budgets;
- Considering the potential impact of reasonably possible downside changes in these key assumptions, in order to assess the potential impact of a range of possible outcomes; and
- Evaluating the adequacy of the financial statement disclosures, including disclosures relating to key assumptions, judgements and sensitivities.

3. Valuation of inventories: As at 31 December 2019 the Group held inventories with a value of SAR 858.6 million (2018: SAR 788.9 million).

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

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

Our audit procedures in this area included, among others:

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

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

4. **Adoption of IFRS 16 "Leases":** The Group adopted the accounting standard IFRS 16 "Leases" during the year. The new standard supersedes the requirements of IAS 17 "Leases".

   IFRS 16 principally modifies the accounting treatment of operating leases at inception, with the recognition of right-of-use asset and a corresponding lease liability for the discounted amount of lease payments over the term of lease contract. The Group has adopted IFRS 16 by using modified retrospective approach. Therefore, the comparative financial statements have not been restated, and the cumulative impact of first time adoption of the standard presented as at 1 January 2019.

   We considered it as a key audit matter because the calculation of amounts underlying the right-of-use assets and the corresponding lease liabilities involve new processes for collecting data, complex rules and the application of significant management judgement relating to the terms in the contract.

   Our audit procedures in this area included, among others:
   - Reviewed management's assessment of the impact of the IFRS 16 in terms of the classification and measurement of its right-of-use assets and lease liabilities, and understood the approach taken towards implementation;
   - Verified the accuracy of the underlying lease data by agreeing a representative sample of leases to the original contract or other supporting information, and checked the mathematical accuracy of the IFRS 16 calculations for a sample of lease schedules;
   - Evaluated the lease terms, including the renewal periods, where appropriate, by inspecting the contracts and assessing management's judgements for lease periods applied in the lease calculation, to ensure they are accurate and complete; and
   - Reviewed the adequacy of the disclosures required in the consolidated financial statements in relation to adoption of new standard.

   Leases are disclosed in note 8 to the consolidated financial statements. The Group's accounting policies for leases are disclosed in notes 5 and 6.1 to the consolidated financial statements.

Other information included in the Group's Annual Report

Other information consists of the information included in the Group's 2019 annual report, other than the financial statements and our auditors' report thereon. Management is responsible for the other information in its annual report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, applicable requirements of Regulation for Companies and by-laws of the Group and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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;

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

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

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

Report on Other Legal and Regulatory Requirements

Article (135) of the Companies Law requires that the auditor includes in his report violations to the provisions of the Companies Law or Company's articles of association. During the course of our audit of the consolidated financial statements, we have not discovered a violation to the provisions of the Companies Law or the provisions of the Company's articles of association.

Aldar Audit Bureau
Abdullah Al Basri & Co.

ALDAR AUDIT BUREAU
Professional Partnership Co
Head Office Riyadh
CR 1010443881
Certified Accountants
Abdullah Al Basri & Co

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

Riyadh 21 Rajab 1441
Corresponding to 16 March 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	31 December 2019 SAR	31 December 2018 SAR
ASSETS			
Non-Current Assets			
Property and equipment	7	**87,426,984**	92,114,655
Right-of-use-assets	8	**48,574,644**	-
Intangible assets and goodwill	9	**140,688,956**	142,414,707
Other non-current assets		**1,562,326**	1,075,452
Total Non-Current Assets		278,252,910	235,604,814
Current Assets			
Inventories	10	**858,623,747**	788,855,739
Accounts receivable	11	**665,257,301**	570,488,664
Other current assets	12	**59,351,040**	39,123,127
Cash margins		**99,974,368**	101,528,790
Cash and cash equivalents	13	**53,575,209**	47,733,037
Total Current Assets		**1,736,781,665**	1,547,729,357
TOTAL ASSETS		**2,015,034,575**	1,783,334,171
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**430,000,000**	430,000,000
Statutory reserve	15	**22,186,724**	22,186,724
Retained earnings		**132,123,563**	149,927,579
Foreign currency translation reserve		**(166,099,226)**	(176,028,776)
Total Equity		418,211,061	426,085,527
Liabilities			
Non-Current Liabilities			
Long term murabaha facility	16	**75,000,000**	94,000,000
Employees' end of service benefits	17	**29,334,858**	32,645,186
Lease liabilities	8	**22,631,499**	-
Deferred tax liability	18	**1,403,075**	982,726
Long term payable	33	**51,375,237**	50,600,305
Total Non-Current Liabilities		179,744,669	178,228,217
Current Liabilities			
Accounts payable and other current liabilities	19	**236,812,062**	50,194,990
Current portion of long-term murabaha facility	16	**19,000,000**	14,000,000
Current portion of lease liabilities	8	**21,251,209**	-
Short-term murabaha facilities	20	**1,117,990,648**	1,091,731,614
Zakat and income tax liability		**22,024,926**	23,093,823
Total Current Liabilities		**1,417,078,845**	1,179,020,427
Total Liabilities		**1,596,823,514**	1,357,248,644
TOTAL EQUITY AND LIABILITIES		**2,015,034,575**	1,783,334,171

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

The annexed notes from 1 – 36 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 2019

	Notes	31 December 2019 SAR	31 December 2018 SAR
REVENUE			
Gold	32	1,495,209,023	1,505,917,472
Operations	32	481,204,711	406,445,323
		1,976,413,734	1,912,362,795
COST OF REVENUE			
Gold		(1,495,209,023)	(1,505,917,472)
Operations	22	(193,394,537)	(162,368,950)
GROSS PROFIT		287,810,174	244,076,373
OPERATING EXPENSES			
Selling and marketing expenses	23	(179,936,203)	(131,809,933)
General and administrative expenses	24	(43,373,761)	(42,339,004)
Impairment of inventories	10	(17,764,781)	-
OPERATING PROFIT		46,735,429	69,927,436
OTHER EXPENSES			
Other income/(expenses) – net	25	1,012,214	(4,358,152)
Finance costs – net	26	(50,872,646)	(35,593,722)
NET (LOSS)/ PROFIT BEFORE ZAKAT AND TAX		(3,125,003)	29,975,562
Zakat	27	(11,306,499)	(10,718,836)
Income tax	27	(3,116,048)	(1,590,788)
NET (LOSS)/ PROFIT FOR THE YEAR		(17,547,550)	17,665,938
NET (LOSS)/ PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Parent Company		(17,547,550)	17,665,938
(LOSS)/ EARNINGS PER SHARE:			
Basic	28	(0.41)	0.41
Diluted	28	(0.41)	0.41

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

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	31 December 2019 SAR	31 December 2018 SAR
NET (LOSS)/ PROFIT FOR THE YEAR	(17,547,550)	17,665,938
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss		
Re-measurement on employees' end of service benefits	1,705,537	4,311,996
Items that will be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	9,929,550	(550,017)
Other comprehensive income for the year – net of tax	11,635,087	3,761,979
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR	(5,912,463)	21,427,917
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR ATTRIBUTABLE TO:		
Equity holders of the Parent Company	(5,912,463)	21,427,917

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

The annexed notes from 1 – 36 form an integral part of these Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital	Statutory Reserve	Retained Earnings	Foreign Currency Translation Reserve	Total
	SAR	SAR	SAR	SAR	SAR
Balance at 1 January 2019	430,000,000	22,186,724	149,927,579	(176,028,776)	426,085,527
Net loss for the year	-	-	(17,547,550)	-	(17,547,550)
Other comprehensive income for the year	-	-	1,705,537	9,929,550	11,635,087
Total comprehensive income for the year	-	-	(15,842,013)	9,929,550	(5,912,463)
Transferred to statutory reserve (note 15)	-	-	-	-	-
Dividends (note 34)	-	-	(1,962,003)	-	(1,962,003)
BALANCE AT 31 DECEMBER 2019	430,000,000	22,186,724	132,123,563	(166,099,226)	418,211,061
Balance at 1 January 2018	430,000,000	20,420,130	131,517,388	(175,478,759)	406,458,759
Net profit for the year	-	-	17,665,938	-	17,665,938
Other comprehensive loss for the year	-	-	4,311,996	(550,017)	3,761,979
Total comprehensive income for the year	-	-	21,977,934	(550,017)	21,427,917
Transferred to statutory reserve (note 15)	-	1,766,594	(1,766,594)	-	-
Dividends (note 34)	-	-	(1,801,149)	-	(1,801,149)
BALANCE AT 31 DECEMBER 2018	430,000,000	22,186,724	149,927,579	(176,028,776)	426,085,527

Ayman Gamil
Chief Financial Officer

Selim Chidiac
Chief Executive Officer

Sabah Almoayyed
Authorized Board Member

The annexed notes from 1 – 36 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 2019

	Notes	31 December 2019 SAR	31 December 2018 SAR
OPERATING ACTIVITIES			
Net (loss)/ profit before zakat and tax		(3,125,003)	29,975,562
Adjustments to reconcile net profit before zakat and tax to net cash from operating activities:			
Depreciation on property and equipment	7	16,681,918	11,320,316
Depreciation of right-of-use assets	8	25,940,026	-
Amortization of intangible assets	9	2,148,081	417,036
Provision for employees' end of service benefits	17	3,243,699	4,507,767
Provision for expected credit losses	11	5,060,150	2,504,441
Finance costs – net	26	45,080,720	35,593,722
Loss/ (gain) on sale of property and equipment and intangible assets	25	2,450,580	(39,648)
Melting costs and charge for slow moving inventory	10	27,312,838	9,629,809
Foreign currency exchange differences - net		(5,487,996)	(979,168)
Operating income before changes in working capital		119,305,013	92,929,837
Net changes in working capital:			
Inventories		(91,508,977)	151,348,458
Accounts receivable		(96,853,544)	(112,315,682)
Other current assets		(19,360,627)	(7,133,985)
Accounts payable and other current liabilities		(8,601,489)	(10,827,606)
Account payable for gold	19	193,896,938	-
Short term murabaha facilities		(681,884)	(81,440,772)
Cash generated from operating activities		96,195,430	32,560,250
Employees' end of service benefits paid	17	(4,991,328)	(5,737,518)
Finance costs paid		(45,695,400)	(33,730,278)
Income taxes paid		(308,494)	(2,606,428)
Zakat paid		(15,300,855)	(10,326,840)
Net cash generated from/ (used in) operating activities		29,899,353	(19,840,814)
INVESTING ACTIVITIES			
Purchase of property and equipment	7	(11,668,077)	(12,201,437)
Proceeds from sale of property and equipment		1,090,295	1,616,298
Acquisition of subsidiary, net of cash acquired	33	-	(131,628,213)
Purchase of intangible assets	9	(635,183)	(1,256,260)
Other non-current assets		(486,874)	(75,957)
Net cash used in investing activities		(11,699,839)	(143,545,569)
FINANCING ACTIVITIES			
Cash facilities (Tawaruq)	20	26,940,918	39,000,000
Long-term murabaha facility	16	(14,000,000)	108,000,000
Repayments of lease liabilities	8	(28,096,672)	-
Cash margins		1,554,422	8,613,193
Dividends paid	34	(1,962,003)	(1,801,149)
Net cash (used in)/ generated from financing activities		(15,563,335)	153,812,044
Net change in cash and cash equivalents		2,636,179	(9,574,339)
Cash and cash equivalents at beginning of the year	13	47,733,037	57,431,809
Exchange differences on cash and cash equivalents		3,205,993	(124,433)
Cash and cash equivalents at end of the year	13	53,575,209	47,733,037

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

The annexed notes from 1 – 36 form an integral part of these Consolidated Financial Statements

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

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

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

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

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

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

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

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

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

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

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (continued)

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

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

i) **L'azurde Jewellery LLC ("LJ Oman")**
LJ Oman is a Limited Liability Company registered in the Sultanate of Oman under Commercial Registration number 1320525 dated 30 May 2018. The principal activity of LJ Oman is manufacturing, and trading of jewelry made from precious metals or stones.

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

2. STATEMENT OF COMPLIANCE

The consolidated financial statements include consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of other 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 Certified Public Accountants ("SOCPA") and other standards and pronouncements issued by SOCPA. This is the first set of consolidated financial statements where IFRS 16 'Leases' has been applied. Refer note 6 relating to the adoption of the standard.

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

The consolidated financial statements for the year ended 31 December 2019 were approved and authorized for issue by the Board of Directors on 16 March 2020.

3. BASIS OF PREPARATION

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

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

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

3. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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 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.

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. 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 a provision matrix to calculate ECLs for accounts receivable. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historically observed default rates. The Group will adjust the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historically observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future events or other market-driven changes that may reduce or increase future selling prices.

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

At the reporting date, inventories were SAR 889.4 million (31 December 2018: SAR 802.1 million) with a provision for melting and slow-moving inventory items of SAR 30.8 million (31 December 2018: SAR 13.2 million). Differences between amounts actually realized and amounts expected to be realized in future periods will be recognized in the consolidated statement of profit or loss.

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

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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

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

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

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

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

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

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

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

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

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

Capital work in progress (CWIP)

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

Right-of-use assets and lease liabilities

The Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. It means that comparative information is still reported under IAS 17 and IFRIC 4.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Right-of-use assets and lease liabilities (continued)
For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

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

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

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

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

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

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

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

Intangible assets and goodwill

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

Asset Category	**Life in years**
Franchise agreement	20
Computer software	2

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

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

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

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

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.

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.

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.
- Re-sellable goods are determined on specific identification basis.

Cash and cash equivalents

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

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

Financial assets 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 within selling and marketing expenses.

Subsequent measurement of financial assets

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

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

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

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

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

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

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

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

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

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

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

Accounts and other receivables
For accounts 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 margin deposits have low credit risk and the impact of applying ECL is immaterial.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Classification and measurement of financial liabilities
The Group's financial liabilities carried at amortized cost include long term murabaha facility, short term cash facilities, accounts payable and other current liabilities. Short term gold facilities are designated 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
The Group has entered into Islamic derivative financial instruments with a financial institution, in the form of forward commodity contracts in order to mitigate the risk of increase in finance costs on short-term gold facilities, due to increase in gold prices. Such derivative financial instruments 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.

Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL) except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Fair value hedges
The change in the fair value of a hedging instrument is recognized in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of profit or loss as other expense.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss.

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Employees' end of service benefits
The Group provides end of service compensation to its employees in accordance with the provisions of the Labor Law applicable in the Kingdom of Saudi Arabia. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Provision is made annually based on valuation done by an independent professional actuary, in accordance with the requirements of IAS 19 "Employee Benefits" using Projected Unit Credit Method. Last valuation was carried out on 31 December 2019.

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 arises mainly from the sale of gold and revenue from operations. To determine whether to recognize revenue, the Group follows a 5-steps process:

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
5. Recognizing revenue when/as performance obligation(s) are satisfied.

The Group often enters into transactions involving a range of the Group's products and services. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized at a point in time, when the Group satisfies performance obligations by transferring the promised goods or services to its customers.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 when the Group has performed its obligation as agreed in the contract, at the then price of gold in the international markets.

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

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

Revenue from operations is recognized in accordance with the fair value of the consideration received or receivable at the time the performance obligation is satisfied. The performance obligation is performed when the promised goods are delivered to the customers. Revenue is reduced for applicable discounts relating to the items sold.

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

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' operating 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. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

6.1 New Standards adopted as at 1 January 2019

IFRS 16 'Leases'

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The new Standard has been applied using the modified retrospective approach from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new standard are therefore recognized in the opening statement of financial position on 1 January 2019.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognized at 1 January 2019:

	SAR
Total operating lease commitments disclosed at 31 December 2018	**79,782,785**
Recognition exemptions: Leases with remaining lease term of less than 12 months	**(754,610)**
Operating lease liabilities before discounting	**79,028,175**
Discount using incremental financing rate	**(11,713,121)**
Total lease liabilities recognized under IFRS 16 at 1 January 2019	**67,315,054**

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

6.1 New Standards adopted as at 1 January 2019 (continued)

IFRS 16 'Leases' (continued)

The recognized right-of-use assets relate to the following class of asset:

	1 January 2019
	SAR
Land	2,816,261
Buildings - shops	70,569,264
	73,385,525

Lease liabilities as at the end of the period are as follows:

Non-current portion of lease liabilities	38,508,049
Current portion of lease liabilities	28,807,005
Total lease liabilities	67,315,054

The change in accounting policy affected the following line items in the consolidated statement of financial position on 1 January 2019:

1. Right-of-use asset – increased by SAR 73.4 million
2. Prepayments – decreased by SAR 6.1 million
3. Lease liabilities – increased by SAR 67.3 million

6.2 New Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted them in preparing these Consolidated Financial Statements.

Amendments to IFRS 3 – definition of a business
This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

Amendments to IAS 1 and IAS 8 on the definition of material
These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform
These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the Consolidated Statement of Profit or Loss.

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 2019 SAR
Cost:										
At the beginning of the year	319,874	94,237,231	66,561,023	21,363,512	8,108,952	23,828,959	13,059,422	40,140,805	(13,357,565)	**254,262,213**
Reclassifications	-	(10,403,760)	13,652	3,796,978	230	(928,817)	75,013	6,672,008	13,390,276	**12,615,580**
Additions	-	-	1,491,340	857,059	717,771	1,690,888	302,698	4,752,683	1,855,638	**11,668,077**
Disposals	-	(500,000)	(699,026)	(136,654)	(961,643)	(471,507)	-	(8,245,935)	(27,607)	**(11,042,372)**
Currency translation differences	24,608	1,506,161	1,344,288	177,821	112,854	867,362	165,560	991,039	80,427	**5,270,120**
At the end of the year	**344,482**	**84,839,632**	**68,711,277**	**26,058,716**	**7,978,164**	**24,986,885**	**13,602,693**	**44,310,600**	**1,941,169**	**272,773,618**
Accumulated depreciation:										
At beginning of the year	-	43,468,213	52,877,333	14,435,094	7,183,869	17,516,609	11,388,132	15,278,308	-	**162,147,558**
Reclassifications	-	1,270,818	(133)	3,814,749	217	443,535	-	7,086,394	-	**12,615,580**
Depreciation charge for the year	-	1,551,103	2,508,154	2,211,196	545,795	2,063,121	268,470	7,534,079	-	**16,681,918**
Relating to disposals	-	(103,750)	(672,346)	(132,207)	(961,636)	(307,852)	-	(5,546,590)	-	**(7,724,381)**
Currency translation differences	-	98,711	379,467	108,300	69,987	521,639	107,415	340,440	-	**1,625,959**
At the end of the year	-	**46,285,095**	**55,092,475**	**20,437,132**	**6,838,232**	**20,237,052**	**11,764,017**	**24,692,631**	-	**185,346,634**
Net book value:										
As at 31 December 2019	**344,482**	**38,554,537**	**13,618,802**	**5,621,584**	**1,139,932**	**4,749,833**	**1,838,676**	**19,617,969**	**1,941,169**	**87,426,984**

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 2018 SAR
Cost:										
At the beginning of the year	321,399	69,684,136	68,072,456	15,071,533	8,843,273	19,200,103	12,782,745	26,186,365	12,451,650	232,613,660
Reclassifications	-	12,945,909	14,839	25,116	192	1,443,343	(14,983)	1,633,842	(14,317,886)	1,730,372
Additions	-	11,675,099	2,340,693	379,337	708,278	2,990,543	300,295	5,512,802	(11,705,610)	12,201,437
Acquisition through business combination (refer note 33)	-	-	-	5,956,879	-	607,571	-	9,063,542	280,176	15,908,168
Disposals	-	-	(3,790,770)	(60,091)	(1,437,121)	(367,248)	-	(2,204,327)	(39,314)	(7,898,871)
Currency translation differences	(1,525)	(67,913)	(76,195)	(9,262)	(5,670)	(45,353)	(8,635)	(51,419)	(26,581)	(292,553)
At the end of the year	319,874	94,237,231	66,561,023	21,363,512	8,108,952	23,828,959	13,059,422	40,140,805	(13,357,565)	254,262,213
Accumulated depreciation:										
At beginning of the year	-	40,956,957	53,390,701	13,824,289	7,914,958	16,472,862	11,118,809	11,823,167	-	155,501,743
Reclassifications	-	1,270,809	(144)	(463)	192	(15,701)	-	475,679	-	1,730,372
Depreciation charge for the year	-	1,245,401	2,325,084	676,937	710,038	1,421,738	275,195	4,665,923	-	11,320,316
Relating to disposals	-	-	(2,820,326)	(59,618)	(1,437,114)	(334,742)	-	(1,670,421)	-	(6,322,221)
Currency translation differences	-	(4,954)	(17,982)	(6,051)	(4,205)	(27,548)	(5,872)	(16,040)	-	(82,652)
At the end of the year	-	43,468,213	52,877,333	14,435,094	7,183,869	17,516,609	11,388,132	15,278,308	-	162,147,558
Net book value:										
As at 31 December 2018	319,874	50,769,018	13,683,690	6,928,418	925,083	6,312,350	1,671,290	24,862,497	(13,357,565)	92,114,655

7. PROPERTY AND EQUIPMENT (continued)

7.1 Depreciation charge for the year has been allocated as follows:	31 December 2019 SAR	31 December 2018 SAR
Cost of sales	**5,316,819**	4,251,335
Selling and marketing expenses	**10,196,419**	5,793,361
General and administrative expenses	**1,168,680**	1,275,620
	16,681,918	11,320,316

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	31 December 2019	
	Depreciation SAR	Carrying Value SAR
Land	193,668	2,622,593
Buildings	25,746,358	45,952,051
Total Right-of-Use Assets	25,940,026	48,574,644

Additions to Right-of-use assets during the year ended 31 December 2019 amounting to SAR 2.3 million.

Lease liabilities as at year end are as follows:

	31 December 2019 SAR
Non-current portion of lease liabilities	22,631,499
Current portion of lease liabilities	21,251,209
Total Lease Liabilities	43,882,708

The total interest expense on lease liabilities recognized during the year ended 31 December 2019 is SAR 4.4 million and total cash outflows for leases SAR 28.1 million.

Expense relating to short-term leases is SAR 2.9 million respectively.

9. INTANGIBLE ASSETS AND GOODWILL

	Notes	31 December 2019 SAR	31 December 2018 SAR
Franchise agreement and computer software	9.1	**30,711,105**	32,436,856
Goodwill		**109,977,851**	109,977,851
		140,688,956	142,414,707

9. INTANGIBLE ASSETS AND GOODWILL (continued)

	Note	31 December 2019 SAR	31 December 2018 SAR
9.1 Franchise agreement and computer software:			
Gross carrying amount:			
As at 1 January		**39,267,525**	7,050,128
Additions		**635,183**	1,256,260
Acquired through business combination	33	**-**	30,964,350
Disposals		**(431,330)**	-
Foreign exchange differences		**58,105**	(3,213)
As at 31 December		**39,529,483**	39,267,525
Accumulated amortization:			
As at 1 January		**6,830,669**	6,416,267
Charge for the year		**2,148,081**	417,036
Disposals		**(208,446)**	-
Foreign exchange differences		**48,074**	(2,634)
As at 31 December		**8,818,378**	6,830,669
Net carrying amount as at 31 December		**30,711,105**	32,436,856

9.2 Goodwill

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

		31 December 2019 SAR	31 December 2018 SAR
Gross carrying amount:			
As at 1 January		**109,977,851**	-
Acquired through business combination	33	**-**	109,977,851
As at 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 senior management covering a period of 10 years. A 10 year projections period was used as it was in line with the tenure of the Franchise Agreement. The discount rate applied to cash flow projections is 7.5% as relevant for the CGU and the terminal value and cash flows beyond the 10 years period are extrapolated using a 2% growth rate.

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).

9. INTANGIBLE ASSETS AND GOODWILL (continued)

9.2 Goodwill (continued)

(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.

Management believes that reasonable changes in the key assumptions would not trigger recognition of impairment losses.

10. INVENTORIES

	31 December 2019 SAR	31 December 2018 SAR
By main components:		
Gold	**725,440,465**	625,095,633
Diamonds, stones and pearls	**137,608,030**	155,106,291
Other materials and accessories	**26,359,540**	21,900,285
	889,408,035	802,102,209
Less: Provision for melting and slow-moving items	**(30,784,288)**	(13,246,470)
	858,623,747	788,855,739
By stage of completion:		
Finished goods	**457,211,614**	437,872,395
Raw materials	**431,572,140**	363,624,458
Work in progress	**624,281**	605,356
	889,408,035	802,102,209
Less: Provision for melting and slow-moving items	**(30,784,288)**	(13,246,470)
	858,623,747	788,855,739

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

	Notes	31 December 2019 SAR	31 December 2018 SAR
Balance at 1 January		**13,246,470**	11,882,841
Charge for the year	10.1 & 22	**27,312,838**	9,629,809
Utilization during the year		**(10,010,382)**	(8,266,180)
Foreign exchange differences		**235,362**	-
Balance at 31 December		**30,784,288**	13,246,470

10.1 Exceptional charge of SAR 17.8 million for melting and slow-moving inventory items:

Included in the SAR 27.3 million charge for melting and slow-moving inventory items for the year ended 31 December 2019 is an exceptional impairment amounting to SAR 17.8 million mainly related to the inventory items of the closed shops in Kingdom of Saudi Arabia.

11. ACCOUNTS RECEIVABLE

	31 December 2019 SAR	31 December 2018 SAR
Accounts receivable - Gross	**684,580,488**	582,677,816
Provision for expected credit losses	**(19,323,187)**	(12,189,152)
Accounts receivable - Net	**665,257,301**	570,488,664

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 36). 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 2019 SAR	31 December 2018 SAR
At beginning of the year	**12,189,152**	9,720,488
Charge for the year	**5,060,150**	2,504,441
Amounts recovered during the year	**1,164,604**	-
Foreign exchange differences	**909,281**	(35,777)
At the end of the year	**19,323,187**	12,189,152

12. OTHER CURRENT ASSETS

	31 December 2019 SAR	31 December 2018 SAR
Prepayments	**19,834,581**	20,770,421
Advance to suppliers	**9,990,734**	8,097,565
Advance to employees	**3,196,459**	3,356,299
Refundable VAT and other balances	**15,938,237**	2,183,583
Other receivables	**10,391,029**	4,715,259
	59,351,040	39,123,127

13. CASH AND CASH EQUIVALENTS

	Note	31 December 2019 SAR	31 December 2018 SAR
Cash in hand		**17,308,267**	16,868,120
Cash at bank		**36,266,942**	28,676,687
Short term deposits	13.1	**-**	2,188,230
		53,575,209	47,733,037

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

14. SHARE CAPITAL

The authorized and paid up share capital of the Company as at 31 December 2019 is SAR 430,000,000 (31 December 2018: SAR 430,000,000), divided into 43,000,000 shares (31 December 2018: 43,000,000 shares) with a face value of SAR 10 per share.

15. STATUTORY RESERVE

In accordance with Saudi Arabian Regulations for Companies and Company's By-Laws, 10% of the net income 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 capital. The reserve is not available for distribution to the shareholders.

16. LONG TERM MURABAHA FACILITY

	31 December 2019 SAR	31 December 2018 SAR
Long-term murabaha facility	**94,000,000**	108,000,000
Less: current portion	**(19,000,000)**	(14,000,000)
Non-current portion	**75,000,000**	94,000,000

The Group has obtained a murabaha finance facility from a bank to finance the acquisition of Izdiad Commercial Company of Arabia (refer note 33). The facility is for a period of seven years at profit rate of SAIBOR plus an agreed rate with the bank and payable in semi-annual installments.

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 Alkhwarizmi Actuarial Services Company, an independent actuary, using the Projected Unit Credit Method as at 31 December 2019.

The movements in employees' end of service benefits during the year are as follows:

	Note	**31 December 2019 SAR**	31 December 2018 SAR
At the beginning of the year		**32,645,186**	37,637,949
On acquisition through business combination	33	-	557,014
Charge for the year		**3,243,699**	4,507,767
Payments during the year		**(4,991,328)**	(5,737,518)
Actuarial gains		**(1,705,537)**	(4,311,996)
Foreign exchange differences		**142,838**	(8,030)
At the end of the year		**29,334,858**	32,645,186

17. EMPLOYEES' END OF SERVICE BENEFITS (continued)

Principal actuarial assumptions	31 December 2019 SAR	31 December 2018 SAR
Financial assumptions:		
Discount rate	**2.7% - 5.15%**	4.4% - 16.75%
Salary increase	**0% - 5.15%**	0% - 10.0%
Demographic assumption:		
Rate of employee turnover	**Heavy**	Moderate
Cost recognized in consolidated statement of profit or loss:		
Service costs:		
• Current service cost	**1,846,179**	3,247,170
• Interest cost on defined benefit obligation	**1,397,520**	1,260,597
	3,243,699	4,507,767

18. DEFERRED TAX LIABILITY – NET

Deferred tax liability relates to taxable temporary differences on property and equipment as follows:

	31 December 2019 SAR	31 December 2018 SAR
At the beginning of the year	**982,726**	555,171
Charge for the year	**296,914**	575,577
Foreign exchange differences	**123,435**	(148,022)
At the end of the year	**1,403,075**	982,726

19. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	Notes	31 December 2019 SAR	31 December 2018 SAR
Accounts payable		**22,243,121**	25,154,319
Account payable for gold	19.1	**193,896,938**	-
Accrued expenses		**11,076,548**	16,891,186
Accrued financial costs		**1,172,331**	2,677,116
Employees payables		**1,869,805**	2,193,415
Amounts due to related parties	29	**493,625**	511,387
Other payables		**6,059,694**	2,767,567
		236,812,062	50,194,990

19.1 The Group provided a standby letter of credit amounting to SAR 200 million (31 December 2018: nil) as a security against the gold which allows the supplier to receive the value of the gold at any time.

20. SHORT-TERM MURABAHA FACILITIES

	Notes	**31 December 2019 SAR**	31 December 2018 SAR
Murabaha facilities (Gold)	20.1	**1,024,049,730**	1,024,731,614
Cash facilities (Tawaruq)	20.2	**93,940,918**	67,000,000
		1,117,990,648	1,091,731,614

20.1 Total gold procurement facilities of the Group at 31 December 2019 amounted to SAR 1.0 billion compared to SAR 1.0 billion at 31 December 2018. All outstanding financial facilities agreements are in the form of Murabaha and Tawaruq agreements to finance the supply of pure gold.

The Group has Islamic Murabaha facilities to obtain gold from various banks to finance gold working capital requirements, with maturity periods ranging from 1 to 3 months (2018: 1 to 3 months) with agreed profit rates. All of these financial facilities are compliant with Shari'a principles as per Shari'a certificates issued by banks' internal Shari'a Committees including Murabaha facilities (Tawaruq) to finance the purchase of gold, as banks buy commodities other than gold or silver and then sell them to the Group on a credit basis. The Group then sells the goods to a third party, and the bank immediately buys the gold using cash sales proceeds of the commodity.

20.2 Represents Islamic Tawaruq cash facilities from various banks solely to finance working capital requirements of the Group, with agreed profit rates and maturity periods ranging from 1 to 9 months.

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. While revenue from operations relates to the value-added component of the jewelry piece, namely labor service charge revenue, value of additions and other sources of revenue generated through wholesale channels and gold and diamond jewelry sold in retail channels, which represent the real revenue of the Group.

Revenue from operations can be analyzed as follows:

	31 December 2019		31 December 2018	
	SAR	**% of total**	SAR	**% of total**
On cash basis	**223,989,004**	**46.5%**	153,080,665	37.7%
On credit basis	**257,215,707**	**53.5%**	253,364,658	62.3%
Total revenue from operations	481,204,711	**100%**	406,445,323	100%

22. COST OF OPERATIONS

	Notes	31 December 2019 SAR	31 December 2018 SAR
Raw material consumed		**133,302,373**	100,261,096
Salaries and employees' benefits		**43,546,792**	43,632,328
Melting costs and charge for slow-moving inventory	10	**9,548,057**	9,629,809
Depreciation	7.1	**5,316,819**	4,251,335
Other		**1,680,496**	4,594,382
		193,394,537	162,368,950

23. SELLING AND MARKETING EXPENSES

	Notes	31 December 2019 SAR	31 December 2018 SAR
Salaries and employees' benefits		**34,733,735**	30,144,699
Gold calibration costs		**34,849,965**	28,294,159
Advertisements and promotional activities		**34,256,992**	21,467,819
Depreciation on right-to-use asset		**24,894,749**	-
Sales commissions		**16,387,634**	13,888,267
Depreciation on property and equipment	7.1	**10,196,419**	5,793,361
Provision for expected credit losses	11	**5,060,150**	2,504,441
Rent	8	**2,921,395**	18,442,562
Travel expenses		**2,020,795**	1,402,004
Amortization of intangible assets		**1,964,703**	188,989
Insurance expenses		**740,786**	909,614
Other expenses		**11,908,880**	8,774,018
		179,936,203	131,809,933

24. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	31 December 2019 SAR	31 December 2018 SAR
Salaries and employees' benefits		**29,650,733**	31,045,597
Consultancy and professional fees		**3,376,510**	2,272,738
Travel expenses		**2,036,177**	1,625,732
Depreciation on property and equipment	7.1	**1,168,680**	1,275,620
Printing, stationery and communication expenses		**1,021,915**	805,307
Repairs and maintenance expenses		**497,518**	539,100
Depreciation on right-of-use asset		**41,510**	-
Other expenses		**5,580,718**	4,774,910
		43,373,761	42,339,004

25. OTHER EXPENSES - NET

	31 December 2019 SAR	31 December 2019 SAR
(Gain)/ loss from foreign exchange differences – net	**(4,866,177)**	656,029
Loss/ (gain) on disposal of property and equipment	**2,450,580**	(39,648)
Bank charges	**1,682,527**	979,497
Miscellaneous	**(279,144)**	2,762,274
	(1,012,214)	4,358,152

26. FINANCE COSTS - NET

	31 December 2019 SAR	31 December 2018 SAR
Financing costs	45,080,720	34,333,125
Interest on employees' end of service benefits	1,397,520	1,260,597
Interest on lease liabilities	4,394,406	-
	50,872,646	35,593,722

27. ZAKAT AND INCOME TAX

Zakat charge

Zakat charge for the year amounts to SAR 11.3 million (2018: SAR 10.7 million). The Zakat base is as follows:

	31 December 2019 SAR	31 December 2018 SAR
Equity	600,152,300	580,136,368
Opening provisions and other adjustments	74,705,017	38,588,281
Book value of long-term assets	(278,252,910)	(235,604,814)
	396,604,407	383,119,835
Zakatable income for the year	32,496,672	46,617,580
Zakat base	429,101,079	429,737,415

Status of zakat assessments

The Company has filed the zakat returns and paid zakat for all the years up to 2018 and obtained respective zakat certificates. In 2017, the Company received zakat assessments for the years 2005 to 2014 with an additional zakat liability of approximately SAR 10.6 million which the company appealed against. Later after discussion with the Zakat authority the assessment was reduced to SAR 6.0 million which was agreed and settled by the company during 2019. Accordingly, no claims or assessments for Zakat are due from the company till the year 2014. The years 2015 to 2018 are still under review by GAZT.

Income tax charge

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

	31 December 2019 SAR	31 December 2018 SAR
Income tax	2,819,134	1,015,211
Deferred tax	296,914	575,577
	3,116,048	1,590,788

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 at 10% and 15% respectively.

Status of income tax assessments related to foreign subsidiaries

ORO, registered in Arab Republic of Egypt, was exempt from Corporate Income Tax until 31 December 2014 according to the Egyptian Law 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 December 2018.

27. ZAKAT AND INCOME TAX (continued)

L'azurde Company for Jewellery LLC ("LCJ Qatar"), registered in the State of Qatar, filed its tax return for year 2018 and the tax assessments for the company have been finalized up to year ended 31 December 2015.

L'azurde 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") registered in the United Arab Emirates, operate in a tax-free country, so no tax returns have been filed.

28. EARNINGS PER SHARE - BASIC AND DILUTED

Basic and diluted earnings per share	31 December 2019	31 December 2018
Net (loss)/ profit for the year attributable to equity holders of the parent (in SAR)	(17,547,550)	17,665,938
Weighted average number of ordinary shares during the year	43,000,000	43,000,000
Basic and diluted (loss)/ earnings per share (in SAR)	(0.41)	0.41

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 2019 (31 December 2018: Nil).

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 2019 SAR	December 2018 SAR	December 2019 SAR	December 2018 SAR
Due from related parties:					
Holding Company:					
L'azurde Holding Company	Costs recharged, and amounts collected by the Company	333,746	250,444	-	-
Due to related parties:					
Other affiliates:					
Board of Directors, except an Exectutive Director	Remuneration	1,485,500	1,502,557	368,000	385,762
Director	Consultancy	502,500	502,500	125,625	125,625
		1,988,000	2,005,057	493,625	511,387

Remuneration to key management personnel:	31 December 2019 SAR	31 December 2018 SAR
Salaries	5,315,880	5,041,790
Allowances	2,393,940	2,274,348
Short-term incentive plans	1,861,880	2,093,500
	9,571,700	9,409,638

30. CONTINGENCIES AND COMMITMENTS

Contingencies:
The Group provided letters of guarantees amounting to SAR 1.6 million as at 31 December 2019 (31 December 2018: SAR 3.4 million) in relation to its operations.

Capital commitments:
The Group has capital commitments in respect of capital expenditures amounting to SAR 0.5 million as at 31 December 2019 (31 December 2018: SAR 0.8 million).

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:

	31 December 2019		31 December 2018	
Net gold (liabilities)/ asset	**SAR**	**Grams (24 Karat)**	SAR	Grams (24 Karat)
Gold – inventories (non-financial asset)	**659,191,983**	**3,590,032**	561,079,720	3,631,128
Gold – accounts receivable	**558,640,395**	**3,042,417**	463,590,849	3,000,211
Gold liabilities – payable for gold	**(193,896,343)**	**(1,055,981)**	-	-
Gold murabaha facilities	**(1,024,049,730)**	**(5,577,046)**	(1,024,731,614)	(6,631,709)
Net gold (liabilities)/ assets	**(113,695)**	**(578)**	(61,045)	(370)

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:

	Notes	**31 December 2019 SAR**	31 December 2018 SAR
Other non-current assets		**1,449,826**	929,202
Accounts receivable	11	**665,257,301**	570,488,664
Other current assets	12	**29,525,725**	10,255,141
Cash at bank	13	**36,266,942**	30,864,917
Cash margins		**99,974,368**	101,528,790
		832,474,162	714,066,714

31. FINANCIAL INSTRUMENTS (continued)

31.1 Risk Management of Financial Instruments (continued)

b) Credit risk (continued)

Cash balances are held with banks having sound credit ratings. The accounts receivable are 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 have been grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information based on macroeconomic factors affecting the ability of the customers to settle the receivable balance. As at 31 December, the ageing of unimpaired accounts receivable was as follows:

	31 December 2019 SAR	31 December 2018 SAR
Neither past due nor impaired	**439,428,954**	424,032,707
Past due but not impaired:		
(a) Less than 180 days	**209,753,497**	129,015,462
(b) 181 – 270 days	**11,558,943**	11,284,161
(c) 271 – 360 days	**1,264,147**	1,848,805
(d) 361 – 540 days	**1,180,931**	1,718,396
(e) Greater than 540 days	**2,070,829**	2,589,133
	665,257,301	570,488,664

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

	31 December 2019 SAR	31 December 2018 SAR
Kingdom of Saudi Arabia	**368,218,106**	359,709,745
Arab Republic of Egypt	**269,217,214**	177,160,722
United Arab Emirates	**22,270,159**	33,567,846
Others	**5,551,822**	50,351
Accounts receivable - Net	**665,257,301**	570,488,664

c) Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. During the year, the Group undertook significant transactions in currencies other than Saudi Riyals such as US Dollars, Euros and Egyptian Pounds. Management regularly monitors the fluctuations in currency exchange rates and the effect of currency rates have been accounted for in the consolidated financial statements. Since Saudi Riyal is on a fixed parity with the US Dollar and the Group does not have material net assets in Euros, the Group is exposed to currency risk due to Egyptian Pound only. The quantitative data regarding the Group's exposure to currency risk arising from Egyptian Pound is as follows:

	31 December 2019 SAR	31 December 2018 SAR
Cash and cash equivalents	**28,269,631**	16,958,697
Accounts receivable	**27,234,104**	17,822,292
Accounts payable and other current liabilities	**(6,078,934)**	(6,806,056)
Net statement of financial position exposure	**49,424,801**	27,974,933

31. FINANCIAL INSTRUMENTS (continued)

31.1 Risk Management of Financial Instruments (continued)

c) Currency risk (continued)

A strengthening/ (weakening) of the Egyptian Pound by 1% against Saudi Riyal would have affected the measurement of financial instruments denominated in Egyptian Pound and would have increased/ (decreased) equity by SAR 489,354 at year ended 31 December 2019 (31 December 2018: SAR 276,980).

d) Market price risk

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from gold 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. The management is of the opinion that the Group's exposure to market price risk is minimal.

e) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise. Following table represents the maturity profiles of the financial liabilities:

31 December 2019	Notes	**0 - 12 months SAR**	**Over 12 months SAR**	**Total SAR**
Financial liabilities:				
Long term murabaha facility	16	**19,000,000**	**75,000,000**	**94,000,000**
Long term payable		**-**	**51,375,237**	**51,375,237**
Lease liabilities		**21,251,209**	**22,631,499**	**43,882,708**
Accounts payable and other current liabilities	19	**236,812,062**	**-**	**236,812,062**
Short-term murabaha facilities	20	**1,117,990,648**	**-**	**1,117,990,648**
Total		**1,395,053,919**	**149,006,736**	**1,544,060,655**

31 December 2018	Notes	0 - 12 months SAR	Over 12 months SAR	Total SAR
Financial liabilities:				
Long term murabaha facility	16	14,000,000	94,000,000	108,000,000
Long term payable		-	50,600,305	50,600,305
Accounts payable and other current liabilities	19	50,194,990	-	50,194,990
Short-term murabaha facilities	20	1,091,731,614	-	1,091,731,614
Total		1,155,926,604	144,600,305	1,300,526,909

f) Capital Management

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

The Group's objectives when managing capital are:

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

31. FINANCIAL INSTRUMENTS (continued)

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).

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

31 December 2019:	**Fair value (in SAR)**			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Accounts receivable	**558,640,395**	**-**	**-**	**558,640,395**
Financial liabilities:				
Account payable for gold	**193,896,938**	**-**	**-**	**193,896,938**
Short-term murabaha facilities	**1,024,049,730**	**-**	**-**	**1,024,049,730**

31 December 2018:	Fair value (in SAR)			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Accounts receivable	463,590,849	-	-	463,590,849
Financial liabilities:				
Short-term murabaha facilities	1,024,731,614	-	-	1,024,731,614

32. SEGMENTAL INFORMATION

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

31 December 2019:	**Wholesale SAR**	**Retail SAR**	**Total SAR**
Revenues - Gold	**1,495,209,023**	**-**	**1,495,209,023**
- Operations	**266,914,983**	**214,289,728**	**481,204,711**
Gross profit	**190,901,680**	**96,908,494**	**287,810,174**
Net book value of property and equipment	**66,224,725**	**21,202,259**	**87,426,984**
Total assets	**1,636,967,604**	**378,066,971**	**2,015,034,575**
Total liabilities	**(1,394,625,194)**	**(202,198,320)**	**(1,596,823,514)**
31 December 2018:			
Revenues - Gold	1,505,917,472	-	1,505,917,472
- Operations	268,790,195	137,655,128	406,445,323
Gross profit	193,616,325	50,460,048	244,076,373
Net book value of property and equipment	63,581,254	28,533,401	92,114,655
Total assets	1,393,871,600	389,462,571	1,783,334,171
Total liabilities	(1,176,251,704)	(180,996,940)	(1,357,248,644)

33. BUSINESS COMBINATION

Acquisition of Izdiad Commercial Company of Arabia

On 1 November 2018, the Group acquired 100% of the equity instruments of Izdiad Commercial Company of Arabia ("Izdiad"), the sole-franchisee and operator of TOUS international franchise in KSA, and thereby obtained full control from 30 October 2018. This represented a major development for the Group with an objective to establish a strong presence in the affordable jewelry segment and to add a new source of growth and profitability.

During the year, the Group has completed the Purchase Price Allocation exercise relating to the acquisition of Izdiad Company. Accordingly, Franchise Agreement intangible asset with definite useful life of 20 years has been recognized amounting to SAR 30.9 million (see note 9.1) and the initially recorded goodwill of SAR 140.9 million has been partially allocated to the Franchise Agreement intangible asset giving the final goodwill balance of SAR 110.0 million.

	SAR
Fair value of consideration transferred:	
Amount settled in cash	135,000,000
Fair value of deferred consideration	50,469,837
Total	**185,469,837**
Recognized amounts of identifiable net assets:	
Property and equipment	15,908,168
Intangible assets	30,964,350
Total non-current assets	**46,872,518**
Inventories	35,156,003
Other current assets	5,285,686
Cash and cash equivalents	3,371,787
Total assets	**90,685,994**
Employees' end of service benefits	557,014
Total non-current liabilities	**557,014**
Accounts payable and other current liabilities	13,886,994
Zakat liability	750,000
Total liabilities	**15,194,008**
Identifiable net assets at the date of acquisition	**75,491,986**
Goodwill arising on acquisition	**109,977,851**
Consideration transferred and settled in cash	(135,000,000)
Cash and cash equivalents acquired	3,371,787
Net cash outflow on acquisition	**(131,628,213)**

The total purchase consideration for acquisition of Izdiad was SAR 185.5 million out of which SAR 108 million was settled in cash through a murabaha cash facility taken by the Group from a financial institution and SAR 27 million was settled from Company's own cash resources. The amount of SAR 50.5 million represents fair value of the deferred consideration at the acquisition date, payable within four years from the date of acquisition in two instalments. The fair value of this long-term payable at 31 December 2019 amounted to SAR 51.4 million (31 December 2018: 50.6 million).

34. DIVIDENDS

During 2019, one of the Group's subsidiary, ORO Egypt for Manufacturing Precious Metals, declared and paid dividends amounting to SAR 1,962,003 which equal to EGP 9,000,000 (2018: SAR 1,801,149 which equal to EGP 8,500,000).

35. COMPARATIVE FIGURES

For better presentation, certain of the prior year figures have been reclassified to conform with the presentation in the current year.

36. COMPLIANCE WITH SHARI'A RULES

The Group's Shari'a Advisor, AlSayari Law Firm "AlSayari", issued the Shari'a review report dated 11 March 2020 for the year 2019, which included the review of the Group's banks facilities and transactions, revenues generated from sale of gold and investments made by the Group, where their conclusion, within the scope of the review, was that it did not reasonably show significant observations affecting compliance of Group's activities, except for one gold transaction where the Group obtained gold from an international bank through an agreement that is inconsistent with the Shari'a provisions. As a result, account payable for gold amounted to (9.6%) of the Group's total assets as of 31 December 2019. Even though, this transaction does not comply with the Shari'a provisions, this percentage does not affect the permissibility of investing in the Group in accordance with Shari'a Standard no. 21 "Financial Paper (Shares and Bonds)" issued by the Shari'a Committee of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Following are the conclusions of the Shari'a Advisor:

a) The Group's main operations of gold and jewelry manufacturing is a Shari'a compliant activity in principle;

b) All credit facilities and financing availed by the Group from banks during the audit period are in compliance with Islamic Shari'a provisions, except for obtaining gold through an agreement from an international bank by the end of the fourth quarter. After examination of this agreement and its implementation procedure, it was concluded that it is not compliant with the Shari'a provisions due to the fact that the Group is going to use the obtained gold and pay at a future date in gold and an additional fee for delayed payment, which will be considered as paying interest. The Group is currently working on regularizing its current position to achieve full compliance with Shari'a.

c) Cash sales through retail outlets and cash wholesale sales on credit are in compliance with Shari'a.

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 the Accounting and Auditing Organization for Islamic Financial Institutions (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 a significant value, and not an unreal cover to usury provisions; and
- Ensures that ornament's fabricated gold is required for purchase by itself and not only the pure gold.

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