

**NATIONAL GYPSUM COMPANY
SAUDI JOINT STOCK COMPANY
RIYADH - SAUDI ARABIA
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020**

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Report on the Audit of the Financial Statements

To the Shareholders of National Gypsum Company
(A Saudi Joint Stock Company)

Opinion:

We have audited the financial statements of National Gypsum Company (the Company), which comprise the statement of financial position as at December 31, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion:

We conducted our audit in accordance with International Standards on Auditing (ISAs) endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Conduct and Ethics adopted in the Kingdom of Saudi Arabia. Also fulfilled the requirements of the conduct of other ethics in accordance with those rules. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matters	How the matter was addressed in our audit
<p>Revenue recognition: During the year ended December 31, 2020, Company's revenue amounted to SAR 107,054,072 (2019: SAR 70,181,615). The company continues to be under pressure to meet goals and expectations which may lead to misstatements in revenue. Revenue recognition is a key audit matter and an indicator for management performance, the application of IFRS 15 could require the use of judgements and significant assumptions by management.</p>	<p>We have performed the following procedures regarding revenue recognition:</p> <ul style="list-style-type: none"> - Evaluating the appropriateness of the accounting policies related to the revenue recognition of the Company by taking into consideration the requirements of IFRS 15 "Revenue from Contracts with Clients". - Understanding of the nature of Revenue contracts for each item of revenues and Choosing a sample of sales contracts to confirm our understanding and evaluation of the management application with IFRS 15 or not. - Evaluating the design, implementation and testing of the operational effectiveness of the Company's control procedures, including the control procedures to prevent fraud when recognizing revenue in accordance with the Company's policy.

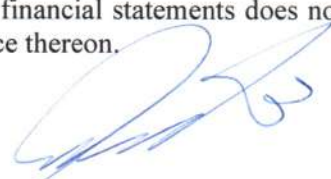
Report on the Audit of the Financial Statements (continued)

Key audit matters	How the matter was addressed in our audit
<p>Revenue recognition (continued):</p>	<ul style="list-style-type: none"> - Testing sales transactions, on a sample basis, and perform cut-off tests of revenue made at the beginning or end of the year to assess whether the revenue has been recognized in the correct period.
<p>Impairment of Property, plant, equipment: - With reference to note no. (4) of the financial statements, the net book value of property, plant and equipment amounted to SAR 274,644,986 (2019: SAR 277,688,216) including strategic spare parts and projects under construction.</p> <p>The risk of evaluation of property, plant and equipment is related the probability of impairment in the case of indicators for impairment.</p> <p>Impairment of property, plant and equipment is a key audit matter because of the judgements and significant assumptions that include procedures and impairment study.</p>	<p>Our audit procedures regarding impairment of property, plant and equipment included, among other procedures, the following:-</p> <ul style="list-style-type: none"> - Evaluating the design, implementation and effectiveness of internal control procedures related to assessing the decline in the value of property, plant and equipment, including strategic spare parts, and projects under construction. - Obtaining an understanding of the management procedures for studying the extent of the existence of indicators related to the possible existence of a decrease in the value of property, plant and equipment in accordance with the requirements of the relevant International Financial Reporting Standards (IFRS). - Using our specialists to test the important assumptions included in the procedures and study the decline in value and evaluate the reasonableness of the assumptions and the basis used. - Evaluating the adequacy of the disclosures about property, plant and equipment, including strategic spare parts and projects under construction as disclosed in note no. (4) of the financial statements, as well as the disclosure of the accounting policy for property, plant and equipment and projects under construction disclosed in notes no. (2-6) and (2-7) of the financial statements and as well as the significant accounting estimates and judgements disclosed in note no.3

Other information included in the Company's annual report for the year ended December 31, 2020

Management is responsible for the other information. The other information consists of the information included in the annual report of the board of directors, but does not include the financial statements and our report thereon, which are expected to be made available to us after the date of our report.

Our opinion on the financial statements does not cover the other information and we will not express any kind of assurance thereon.




**Other information included in the Company's annual report for the year ended December 31, 2020
(continued)**

With regard to our review of the financial statements, our responsibility is limited to reading the other information described above, and when reading it, we take into account whether the other information does not materially correspond to the financial statements or information obtained during the audit process or otherwise appears to contain significant misstatements

If, upon reading the board's report, we conclude that it contains material misstatements, we must inform those charged with governance of this matter.

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation for the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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


- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For Al-Kharashi Co.


Sulieman A. Al-Kharashi
License No. (91)

Riyadh:
Shaaban 16,1442H
March 29, 2021G



NATIONAL GYPSUM COMPANY
Saudi Joint Stock Company
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020
(EXPRESSED IN SAUDI RIYALS)

	Note	2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment, Net	(4)	274,644,986	277,688,216
Investments in an associate	(5)	32,554,664	33,578,377
Financial assets at fair value through other comprehensive income	(6)	36,543,114	23,295,692
Total non-current assets		343,742,764	334,562,285
Current assets			
Inventory, Net	(7)	27,115,775	31,645,650
Trade receivables, Net	(8)	25,963,776	26,225,829
Prepayments and other debit balances	(9)	6,173,575	7,635,188
Cash and cash equivalents	(10)	92,417,196	64,197,016
Total current assets		151,670,322	129,703,683
TOTAL ASSETS		495,413,086	464,265,968
SHAREHOLDERS' EQUITY & LIABILITIES			
Shareholders' equity:			
Share capital		316,666,667	316,666,667
Legal reserve		95,000,001	95,000,001
Revaluation reserve for investments at fair value through other comprehensive income		13,073,092	9,257,697
Reserve for Actuarial losses of re-measurement of employees' defined benefit plan		(143,287)	-
Retained Earnings		48,081,886	23,754,896
Total Shareholders' Equity		472,678,359	444,679,261
Non-current liabilities			
Employees' defined benefit plan obligations	(11)	3,670,425	3,245,890
Total non-current liabilities		3,670,425	3,245,890
Current Liabilities			
Trade payables	(12)	3,720,129	3,692,591
Accrued expenses and Other credit payables	(13)	5,434,500	3,075,581
Dividends payable		5,956,585	5,970,153
Zakat provision	(14)	3,953,088	3,602,492
Total current liabilities		19,064,302	16,340,817
Total liabilities		22,734,727	19,586,707
TOTAL SHAREHOLDER'S EQUITY & LIABILITIES		495,413,086	464,265,968

Finance manager



General manager



Chairman



The accompanying notes are an integral part of these financial statements.

NATIONAL GYPSUM COMPANY
Saudi Joint Stock Company
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN SAUDI RIYALS)

	Note	2020	2019
Revenue, Net	(16)	107,054,072	70,181,615
Cost of revenue		(55,249,566)	(49,974,228)
Gross profit		51,804,506	20,207,387
Selling and distribution expenses	(17)	(4,277,275)	(2,658,873)
General and administrative expenses	(18)	(6,478,873)	(5,611,865)
Profit from main activities		41,048,358	11,936,649
Share of results from investment in an associate	(5)	440,155	622,738
Other (expenses) / income, Net	(19)	(325,102)	1,949,598
Profit before zakat		41,163,411	14,508,985
Zakat	(14)	(3,953,088)	(3,602,492)
Profit for the year		37,210,323	10,906,493
OTHER COMPREHENSIVE INCOME:			
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Unearned gains / (losses) on financial assets at fair value through other comprehensive income	(5&6)	3,815,395	(915,373)
Re-measurement Actuarial difference in employees' defined benefit plan		(143,287)	-
Gross comprehensive income for year		40,882,431	9,991,120
Earnings per share:			
Basic Earnings per share	(20)	1.18	0.34
Diluted Earnings per share	(20)	1.18	0.34



The accompanying notes are an integral part of these financial statements.

NATIONAL GYPSUM COMPANY
 Saudi Joint Stock Company
 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (EXPRESSED IN SAUDI RIYALS)

Equity attributable to shareholders of the parent

	Share capital	Legal reserve	Revaluation reserve for investments at fair value through other comprehensive income	Reserve for Actuarial losses of re-measurement of employees' defined benefit plan	Retained earnings	Total
Balance at 1 January 2019	316,666,667	130,444,679	10,173,070	-	(8,329,597)	448,954,819
Reducing legal reserve to 30% of share capital and transferring to retained earnings	-	(35,444,678)	-	-	35,444,678	-
Dividends	-	-	-	-	(14,266,678)	(14,266,678)
Profit for the year	-	-	-	-	10,906,493	10,906,493
Unearned (losses) on financial assets at fair value through other comprehensive income	-	-	(915,373)	-	-	(915,373)
Balance at 31 December 2019	316,666,667	95,000,001	9,257,697	-	23,754,896	444,679,261
Balance at 1 January 2020	316,666,667	95,000,001	9,257,697	-	23,754,896	444,679,261
Dividends	-	-	-	-	(12,883,333)	(12,883,333)
Profit for the year	-	-	-	-	37,210,323	37,210,323
Unearned gains on financial assets at fair value through other comprehensive income	-	-	3,815,395	-	-	3,815,395
Re-measurement Actuarial difference in employees' defined benefit plan	-	-	-	(143,287)	-	(143,287)
Balance at 31 December 2020	316,666,667	95,000,001	13,073,092	(143,287)	48,081,886	472,678,359



The accompanying notes are an integral part of these consolidated financial statements.

NATIONAL GYPSUM COMPANY
Saudi Joint Stock Company
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN SAUDI RIYALS)

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before zakat		41,163,411	14,508,985
Adjustments to reconcile net profit to net cash resulted from operating activities:			
Depreciation of property, plant and equipment	4	7,663,113	7,707,957
Change in defined benefit plan obligations		281,248	156,672
Share of results from investment in an associate	5	(440,155)	(622,738)
Revaluation gains from investments at fair value		-	(9,414,435)
Adjusted net profit		48,667,617	12,336,441
Trade receivables		262,054	(2,114,596)
Inventory		4,529,875	(1,837,101)
Prepayments and other debit balances		1,461,613	(847,014)
Trade payables		27,538	(171,661)
Accrued expenses and other credit payables		2,358,919	616,565
Zakat Paid		(3,602,492)	(3,219,335)
CASH FLOWS FROM OPERATING ACTIVITIES:		53,705,124	4,763,299
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,619,883)	(45,514)
Change in investments		(7,968,160)	49,140,619
Net cash (used in) / from investing activities		(12,588,043)	49,095,105
FINANCING ACTIVITIES			
Dividends		(12,896,901)	(14,287,415)
Net cash (used in) financing activities		(12,896,901)	(14,287,415)
Net increase in cash and cash equivalents		28,220,180	39,570,989
Cash and cash equivalents at 1 January		64,197,016	24,626,027
Cash and cash equivalents at 31 December		92,417,196	64,197,016
Non-cash activity			
Transferring over 30% of the legal reserve to retained earnings		-	35,444,678
Actuarial losses from re-measurement of employees' defined benefit plan		(143,287)	-
Change in revaluation of investments at fair value		3,815,395	(915,373)



The accompanying notes are an integral part of these financial statements.

NATIONAL GYPSUM COMPANY
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020
(ALL AMOUNTS EXPRESSED IN SAUDI RIYAL UNLESS OTHERWISE STATED)

1. GENERAL INFORMATION

1,1 Establishment of the Company

National Gypsum Company (the "Company"), is a Saudi joint stock company, registered in the city of Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010001487 dated 19 Shawwal 1378 H.

1,2 Company's Capital

The capital of the company is SAR 316,666,667, divided into 31,666,667 fully paid shares of equal value. The value of each share is SAR 10.

1,3 Company's Branches

The company has several registered branches as follows:

Branches	Commercial Registration No	Commercial Registration Date
Jeddah	4030007100	26 Muharram 1392 AH
Dammam	2050003512	6 Rajab 1395 AH
Yanbu	470000546	18 Rabi` Awal 1400 AH
National Factory for Gypsum Walls in Riyadh	1010198301	10 Rabi` al-Akher 1425 AH
Gulf Factory in Dammam	2050048707	4 Jumada Al-Akher 1426 AH
Factory of National Gypsum Company for Gypsum Walls in Dammam	2050053971	4 Rabi` al-Awwal 1428 AH

1,4 The Nature of the Company's Activity

The main activity of the company is the manufacture and production of gypsum and its derivatives extracted from the concession area, and the trade in gypsum and its branches in the materials and industries and the production of various materials that can be extracted from gypsum mechanically and chemically and to carry out all the necessary work to achieve its purpose and that help to achieve this purpose.

1,5 Fiscal year

The Company's financial year is twelve months starts from first January to end of December every year

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), as endorsed in Kingdom of Saudi Arabia (KSA) and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA").

2.2 Basis of measurement

These financial statements have been prepared in accordance with the historical cost principle and using Accrual basis and going concern principle, except for:

- 1) Recognition of entitlements to employees' defined benefit obligations that are measured at the present value of future obligations using the projected unit credit method.
- 2) Investments in equity instruments that are measured at fair value through other comprehensive income.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New IFRSs, amendments to standards and interpretations that have not yet been applied

Some new accounting standards, amendments to standards and interpretations have been published by the International Accounting Standards Board, which are not mandatory for reporting periods and have not yet been applied by the company. These standards are not expected to have a material impact on the company in current or future reporting periods and on anticipated future transactions.

Other amendments to standards

Certain other amendments to the standards became applicable to the current reporting period. The company is not required to change its accounting policies or make retroactive adjustments as a result of applying these amendments to standards.

2.3 Functional and presentation currency

These financial statements have been presented in Saudi Riyals, which represents the company's functional and presentation currency.

2.4 Foreign currencies

Transactions in foreign currencies are translated into the functional currencies of the Company at the exchange rates prevailing on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the financial statements. For non-financial assets and liabilities that are measured at fair value in a foreign currency, they are retranslated into the functional currency according to the exchange rates prevailing on the date of determining the fair value. Non-monetary items that are measured at historical cost in foreign currency are recorded using the exchange rate prevailing on the date of the transaction. Foreign exchange resulting from re-transfer is included in profit or loss.

2.5 Financial Instruments

Classification

The company classifies its financial assets into loans and receivables group. The classification of a financial asset depends on the purpose for which it was acquired, and management undertakes this classification upon initial recognition of the financial assets.

Loans and debt

Loans and receivables are non-derivative financial assets with a fixed or determinable repayment date that are not traded in an active market. The financial assets listed in that company are presented as current assets if they are expected to be recovered within 12 months at most from the end of the financial period. The company's loans and debts consist of "trade and other receivables", "due from related parties" and "cash and the like" in the balance sheet.

Initial recognition and measurement

A financial asset is recognized when the company becomes a party to the contractual provisions of the financial asset.

The first measurement is made to acquire a financial asset at fair value in addition to other costs directly related to the execution of the transaction, except for financial assets that are classified as fair value through profit or loss, where they are initially measured at fair value only, and all other costs associated with carrying out the transaction are charged to the statement of profits or Losses.

Subsequent measurement

Subsequent measurement of financial assets at fair value through profit or loss is done at fair value. The increase or decrease in the fair value during the year is recognized in the statement of profit or loss in other profits / (losses) - net.

Subsequent measurement of available-for-sale financial assets is done at fair value. The increase or decrease in the fair value during the year is recognized in the items of other comprehensive income.

The subsequent measurement of loans and receivables as well as held-to-maturity financial assets are measured at amortized cost using the effective interest rate. The interest calculated in the statement of profit or loss is recognized in financing income / (costs) - net.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial Instruments (continued)

Derecognition

The financial asset is excluded when the contractual period of validity expires in obtaining cash flows from the financial asset or if the company materially transfers the risks and benefits of ownership of the financial asset.

The financial asset is excluded at its book value on the date of disposal, and the profits (losses) of disposal are recognized in the list of profits or losses.

The gain (loss) of the disposal of a financial asset is the difference between the book value at the date of disposal and the proceeds resulting from the disposal of a financial asset.

Offsetting between an asset and a financial liability

A set-off is made between a financial asset and a financial liability and the net clearing presentation in the statement of financial position when the company has the enforceable legal right to conduct a set-off between the recognized amounts, and the company has the intention to either make a settlement on the basis of the net amounts or recognize the asset and settle the obligation simultaneously and in order to The legal right of the company to do clearing is enforceable, so it must be at the occurrence of some event in the future, which is often the failure of the other party, and it must reflect the company's normal practices, the requirements of the financial markets, and other conditions related to considerations of risk and timing of the company's cash flows.

Financial Assets Impairments

At the end of each financial period, the company assesses whether there is objective evidence of impairment in the value of a financial asset or a group of financial assets. The value of the financial asset or a group of financial assets decay, and the losses resulting from the impairment of value are charged only if there is objective evidence of impairment as a result of the occurrence of one or more events after the initial recognition of the asset (a loss occurred) and this event or these events had an effect that can be reliably evaluated. The expected financial flows from a financial asset or group of financial assets.

Objective evidence of impairment includes significant financial difficulties facing debtors or a group of debtors, violation of contract terms such as non-payment of interest or principal amount, or expectation of debtor bankruptcy or restructuring, or when there are clear data indicating a measurable decrease in future cash flows. Expected from a group of financial assets since the initial recognition or when national or local conditions that are related to cases of non-payment of the assets of the company.

For loans and debts. The loss value is measured as the difference between the asset's book value and the present value of future cash flows (excluding future credit losses that were not incurred) discounted at the original effective interest rate of the financial asset, and the book value of the asset is reduced directly and the losses are recognized in the statement of profit or loss. Debts that are not expected to be collected shall be canceled by deduction from the provision for which they are formed, and any subsequent collections shall be recognized as income in the statement of profit and loss.

If the loan or investment held to maturity has a variable exchange rate, then the price and the unpredictable debts are canceled as a deduction from the provision for which they are formed, and any subsequent collections are recognized as revenue in the statement of profit or loss. If the loan or investment held to maturity has a variable exchange rate, the discount rate for measuring any impairment losses is the current effective interest rate determined under the contract. As an effective practical measure, the company may measure the impairment of a financial asset on the basis of the fair value of the asset using an observable market price. If in any subsequent period, the decrease in the impairment loss can be related objectively to an event occurring after the impairment loss was recognized (for example an improvement in Credit of Debtor), accordingly, a reverse of impairment loss is recognized as other income directly in the statement of profit or loss.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment

Property, plant and equipment appear at cost minus accumulated depreciation and any decrease in value

The costs of acquiring the asset include all the expenses directly related to the acquisition in addition to any other costs directly related to the development of the asset as well as the costs of dismantling and removing the items and returning the asset to its original condition. When there is cost-sharing with other parties, the share of the cost that the firm has to bear in respect of these assets is recognized. When parts of property, plant and equipment have different useful lives they are recognized as separate items (major components) of property, plant and equipment.

The cost of replacing a part of an item of property, plant and equipment is recognized in the item's carrying value, while it is probable that future economic benefits to the company will flow from that part and its cost can be measured reliably.

The costs of the day-to-day maintenance of property, plant and equipment are recognized in the profit or loss statement

Depreciation is not calculated on land and projects under construction. Depreciation is calculated in the list of profits or losses on a straight-line basis and over the estimated useful life of property, plant and equipment as follows: -

	Depreciation method
Machinery and equipment	Units of production method
Buildings	3% - 5%
Internal roads	10%
Water extensions	10%
Electricity extensions	7%
Vehicles and transportations	17%
Furniture and fixtures	10% - 20%
Tools	25%

At the end of each reporting date, the company reviews the book values of its assets to determine whether there is any indication that those assets have suffered impairment losses, and in the case of such indicators, the recoverable value is estimated in order to determine the extent of the loss in the impairment, and when it is not possible to estimate Recoverable amount the company estimates the recoverable amount for the cash-generating unit to which the asset belongs.

2.7 Projects under construction

Projects under construction includes all assets that are capitalized for non-completion, as well as existing projects, and they are proven at cost including all costs from contractors 'dues, value of materials and consultants' fees.

2.8 Investments in associate

An associate is one in which the company has the ability to exert significant influence over it, but not joint control or control, by participating in the financial and operational decisions related to the policies of the investee company. The company owns a share of not less than 20% of its capital.

Accounting for these investments is carried out using the equity method. They are recorded at cost and subsequently adjusted in light of the change in the company's share in the net assets of the investee company. The company's share in the net profit and loss of the associate is included in the statement of profit or loss. Losses of an associate in excess of the company's equity in it are not recognized.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Investments at FVTOCI

They represent non-derivative financial assets that have been classified as available-for-sale on acquisition, and not classified as loans and receivables, or held-to-maturity investments, or as investments at fair value through profit or loss.

On acquisition, the investments are measured at FVOCI at cost. After the first recognition, they are measured at fair value and changes in fair value other than impairment losses and the effects of changes in foreign exchange rates for debt instruments are recognized within the items of comprehensive income, and they are collected in the fair value reserve, and upon excluding these assets, the cumulative profits or losses recognized are reclassified. It is included in other comprehensive income items previously to profit or loss.

2.10 Investments at FVTPL

Investments are classified through the statement of profit or loss if they are acquired with the intention of reselling them in the short term within the current assets in the balance sheet. Investments are recognized through the statement of profit or loss initially at cost as it represents the fair value of the consideration paid. After acquisition, investments held for trading are valued at fair value on the date of the statement of financial position. Unrealized gains and losses, as well as gains and losses from selling investments held for trading, are recorded in the statement of profit or loss.

2.11 Lease Liability

At the start of the lease, the Company includes lease commitments measured at the present value of the lease payments over the term of the lease. Rental payments include fixed payments (includes non-significant fixed payments) minus any lease incentives payable, variable-value lease payments based on index or rate, and amounts expected to be paid against residual amount guarantees. The lease payments also include the exercise price of the purchase option that is strongly expected to be exercised by the company and the payment of fines related to the termination of the contract whether the terms of the lease give the company the right to terminate the lease. Variable lease payments that are not dependent on a fixed indicator or rate are recognized as an expense (unless incurred to produce goods) in the period in which the event or circumstance occurs for the payment.

When calculating the present value of lease payments, the company uses the incremental borrowing rate on the contract commencement date as to whether the interest rate implicit in the contract cannot be determined immediately. After the inception of the contract, the amount of the rental obligation is increased to reflect an increase in interest and a decrease in the amount when paying rents. The book value of the lease liability is also re-measured if there is an amendment or a change in the contract period or a change in the lease payments (i.e. changes in future payments resulting from a change in the indicator or the rate used to determine such lease payments) or a change in the evaluation of the purchase option. The primary asset

2.12 Trade receivables

They are non-derivative financial assets with fixed or determinable payments that are not listed in an active market and arise mainly by providing goods and services to customers (such as trade receivables), and they are also the direct contractual costs associated with other types of financial assets. Once obtained, it is subsequently recognized at amortized cost using the effective interest method minus the expected credit loss allowance.

Trade receivables are shown net after deducting the allowance that is recorded in a separate account and is offset by a loss that is recorded in the statement of profit or loss.

2.13 Cash and Cash equivalent

It includes cash and cash equivalents from cash in hand, current accounts with banks, and short-term murabaha deposits that mature within three months or less from the date of deposit, after deducting the overdraft, if any.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Inventory

Inventories are recorded at cost or net realizable value whichever is lower. Net realizable value is the estimated selling price in the normal business cycle minus the estimated costs to complete and the estimated necessary costs to complete the sale. The carrying value of the inventory is included as the cost of revenue when the inventory is sold. The company establishes a provision against inventory losses as a result of factors such as obsolescence, technical defect, natural damage, etc.

2.15 Financial Liabilities

Classification

The company classifies its financial liabilities into other financial liabilities. With the exception of liabilities related to zakat, income tax and defined benefit obligations for employees, the classification of the financial liability depends on initial recognition on the purpose for which it was acquired.

The main purpose of financial liabilities is to finance the company's operations and to ensure financial support for the operation.

Recognition and De-recognition

The company recognizes a financial liability in the statement of financial position when - and only when - the company becomes a party to the contractual provisions of the financial obligation. The company excludes the financial commitment (or part of it) from the list of financial position when the financial commitment ends, either by disposing of it, canceling it, or expiring its period stipulated in the contract.

The company accounts for the exchange of debt instruments with substantially different terms between a borrower and a lender as the end of the original financial obligation, and the new debt is recognized as a financial obligation, and the profit or loss is included in the difference between the book value of the obligation (or part of it) that has been exempted or transferred to another party, including the non-amortized expenses and indicate the amount paid to settle the obligation.

Measurement

On initial recognition, the company measures the financial liabilities at fair value in addition to the costs associated with carrying out the transaction. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, which is represented in trade and other credit balances, bank loans, and due to related parties.

2.16 Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) resulting from an event in the past, and an outflow of resources including economic benefits is expected to settle the obligation, and the commitment can be estimated at a reliable degree. The Company recognizes the necessary restructuring commitments that are not related to the Company's current activities within the costs of the provision for restructuring.

A contingent liability is a present obligation that arose out of events in the past and was not recognized because it is not expected that there will be an outflow of economic benefits to the company to settle this obligation or its value cannot be measured in a sufficiently reliable manner and the company does not recognize the potential obligation. Disclosure of the contingent liability in the notes to the financial statements.

When there are a number of similar obligations, the degree of expectation of an outflow required for payment or settlement is determined by taking into account all elements of the obligation, and the provision is recognized despite the possibility of an outflow for any item that may be small. An outflow of resources is required to settle all elements of the obligation.

When the effect of the time value of money is significant, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the book value of the provision from one period to another is recognized to reflect the passage of time. As a borrowing cost in the statement of profit or loss.

When it is expected to re-charge some or all of the expenses necessary to settle a provision to another party, the company recognizes the recovery when it is certain that the recovery will take place if the company settles the obligation, and the redemption is treated as a separate asset in the statement of financial position, and the value that is recognized must not exceed They are refundable for the provision value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Trade Payables

Trade payables first recognize the value of goods and services received from others, whether billed or not. When this is material, goods and services received as well as trade creditors are recognized at the present value of the expected cash outflows using the interest rate of similar loans. Trade creditors are subsequently shown at amortized cost using the effective interest rate.

2.18 Employees' benefits

1) Costs of retirement benefits for the systems of the Public Institution for Insurances

The company contributes to the costs of employees' retirement benefits, in accordance with the regulations of the General Organization for Social Security, and is calculated as a percentage of the employees' wages. Payments for government-managed retirement benefit plans are treated as payments for defined benefit plans since the company's commitment to these plans equals the obligation resulting from the defined benefit plans. Payments to retirement plans are recognized as an expense when due.

2) Short term employees' benefits

Liabilities are recognized and measured for benefits related to wages, salaries, annual leave and sick leave in the period in which the service is provided on the undiscounted amounts of benefits expected to be paid for those services.

3) Obligations of defined benefits to employees

General description of the Employee Defined Benefit Plan - End of Service Benefit

The company is required according to the Labor Law and workers in the Kingdom of Saudi Arabia to pay end-of-service benefits (defined benefit obligations) and it is calculated based on half of the salary of the last month of each year of the first five years of service, including fractions of the year, in addition to the full last month's salary for each year. The next or remaining fractions of the year. An employee is entitled to the same benefits in case of resignation. The end of service benefit scheme is unfunded.

Valuation method and main assumptions for actuarial studies

In compliance with the requirements of International Accounting Standard No. (19) "employee benefits", end-of-service compensation liabilities are calculated using the actuarial valuation using the projected unit credit method at the end of each fiscal year, and profits or losses resulting from the actuarial valuation for the period are recorded in the other comprehensive income statement. Where the reevaluation occurred. It is not included in profit or loss. The current service cost of the benefit plan specified in the profit or loss statement is recognized in the employee benefits expense, to reflect the increase in the obligation resulting from the employee's services for the current year and cases of change, reduction or settlement of benefits. The cost of services from previous years is also directly included in the statement of profit or loss. The interest is calculated using the effective discount rate at the beginning of the period

The costs of specific benefits have been classified as follows: -

- Service cost (including current service costs and past service costs, plus profits and losses arising from promotions and reimbursements to employees;
- Interest cost
- Remeasurement

2.19 Revenue Recognition

The company recognizes revenue based on a five-step model as defined in IFRS 15:

Step No. 1: Determine the contract / contracts with the customer: The contract is defined as an agreement between two or more parties under which enforceable rights and obligations are created and it defines the criteria that must be met for each contract.

Step No. 2: Determine the contract performance obligations: The performance obligation is a promise within the contract with the customer to transfer goods or services to the customer.

Step No. 3: Determine the Transaction Price: The transaction price is the amount that the company expects to be entitled in exchange for transferring goods or services that have been committed to the customer except for amounts collected on behalf of third parties



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Revenue Recognition (continued)

Step No. 4: Allocating the transaction price to the performance obligations in the contract: For a contract that contains more than one performance obligation, the company allocates the transaction price to each performance obligation in an amount that reflects the value of the considerations that the company expects to be entitled to in exchange for fulfilling each performance obligation

Step No. 5: Include revenue when the company fulfills its performance obligation.

The company satisfy the performance obligation and recognizes revenue over time if one of the following criteria is met:

- The performance of the company does not give rise to an asset with an alternative use to the company, and the company has a legal right to payments for the performed performance until the company's performance reaches the creation or enhancement of an asset that the customer controls during the establishment or enhancement of the asset.

-The customer's receipt and consumption of the benefits provided by the company's performance simultaneously when the company is performing its performance.

For performance obligations that do not satisfy one of the above conditions, revenue is recognized at the time the performance obligation is satisfied.

When the company satisfy the performance obligation by providing the products or services it promised, an asset arises on a contractual basis with the consideration amount obtained from the performance. A contractual obligation arises when the value of the purchase considerations received from the customer exceeds the amount of the listed revenue.

Revenue is measured at fair value for purchase considerations received or receivable taking into account the contractual terms specified for payment excluding fees, and the company evaluates its revenue agreements against certain criteria to determine whether it is acting as a principal supplier or agent.

Revenue is included to the extent to which the economic benefits will flow to the company and costs and revenue can be measured reliably

2.20 Zakat and Tax

1.Zakat

The company is subject to Zakat at the rate of 2.5% of the Zakat base according to the regulations of the General Authority for Zakat and Income in force in the Kingdom of Saudi Arabia on the basis of the approximate Zakat base or the adjusted profit, whichever is higher, and is charged to the profit or loss (in relation to the Saudi partner), and the foreign partner is subject to tax Income is on the share in the adjusted profit, and the income tax provision is charged to profit or loss, and any additional amounts, if any, are recognized on the basis of the final assessment when those amounts are determined.

2- Withholding tax

The company is subject to withholding tax on amounts paid to consultants outside the Kingdom in accordance with the regulations of the General Authority for Zakat and Income in force in the Kingdom of Saudi Arabia and is charged to the list of profits or losses.

3- Value Added Tax

The value-added tax was applied in the Kingdom of Saudi Arabia, starting from January 1, 2018 (14 Rabi` al-Thani from 1439 AH), and it is a tax on the supply of goods and services that the final consumer endures at the end of the day, but is collected at each stage of the principle of the year of production and distribution. ; The value-added tax treatment in the company's accounts must reflect its role as a tax collector, and the value-added tax should not be included in income or expenditures, whether of a capital or revenue nature. However, there will be circumstances in which the company will bear the VAT, and in such cases where the VAT is not refundable, it must be included in the cost of the product or service.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Expenses

Selling and marketing expenses are those expenses resulting from the company's efforts made by the selling and distribution department. All other expenses, except for the cost of sales and financing burdens, are classified as administrative expenses. An allocation of common expenses between cost of sales, selling and distribution expenses, and administrative expenses, if necessary, is made on a reasonable basis according to the nature and function of those expenses.

2.22 Earning per share

Earnings per share from main operations and earnings per share from net profit are calculated by dividing the profit from main operations and net profit by the weighted average number of shares at the end of the period.

2.23 Share capital

The capital is classified under equity and consists of ordinary shares distributed among the shareholders of the company.

2.24 Legal reserve

In accordance with the provisions of the Saudi Companies Law and the Group's Articles of Association, 10% of the net profit is transferred to the legal reserve until this reserve reaches 30% of the capital, and this reserve is not available for distribution.

2.25 Dividends

Interim dividends are recorded as a liability in the period in which they are approved by the Board of Directors, and final dividends are recorded in the year in which they are approved by the General Assembly of shareholders.

2.26 Operating Segments

The segment is an essential part of the company and it provides specific products or services (business sector) or provides products or services in a specific economic environment (geographical sector), and its profits and losses differ from the profits and losses of other sectors.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to use judgments and estimates that affect the application of accounting policies on the reported amounts of assets, liabilities, revenues and expenses, and actual results may differ from these estimates.

Estimates and assumptions are based on past experience and factors that include expectations of future events that are considered appropriate in the circumstances and are used to extend the carrying period of assets and liabilities that are not independent of other sources. Estimates and assumptions are evaluated on an ongoing basis. Accounting estimates recognized in the period in which the estimates are reviewed in the review period and in future periods are reviewed if the changed estimates affect the current and future periods.

The following is an explanation of the most important estimates, uncertainties and important judgments when applying accounting policies that have a significant impact on the amounts shown in the financial statements, which have been included in the notes.

3.1 Measuring employees' defined benefit obligations

The company's commitment regarding defined benefit plans is calculated by estimating the value of future benefits for the defined benefit obligations for employees in the current and previous periods, and the value is deducted to arrive at the present value. These liabilities are calculated annually by an independent actuary using the projected unit credit method. Judgments are used in estimating actuarial assumptions.



3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.2 Trade receivables impairment

The company applies the expected credit loss model to determine the impairment losses in the value of trade receivables, and this requires the company to take some future factors into consideration while calculating the probability of default.

3.3 Useful lives and residual values of property, plant and equipment

The company's management determines the estimated useful lives of property, plant and equipment for the purposes of calculating depreciation. These estimates are determined after considering expected use of the asset or physical wear and tear. Management reviews the residual values and useful lives annually and the future depreciation charge, which is adjusted when management believes that the useful lives differ from previous estimates.

3.4 Fair Value for assets and liabilities

Fair value is the selling price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date or, in the absence of it, the best available market at that date. The fair value of the liability reflects the risk of inability to perform

When measuring the fair value of a financial asset or liability, the Group uses market observable data to the extent possible. Fair values are classified into levels of a hierarchy based on the inputs used in the valuation methods as follows:

The first level: quoted prices (unadjusted) in active markets for identical assets or liabilities that can be obtained at the measurement date. The company does not have any assets or liabilities below this level as at December 31, 2020.

The second level: inputs other than quoted prices that are not included in the first level and that can be observed for assets and liabilities, directly (such as prices) or indirectly (that are derived from prices). The company does not have financial assets or financial liabilities below this level.

The third level: inputs for assets and liabilities that are not dependent on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the entire measurement is classified as the lowest level of inputs.

3.5 Investments Classification

Management decides on the holding of an investment whether it should be classified as held to maturity, held for trading, at fair value through profit or loss or other comprehensive income

-Investments considered held to maturity, management ensures that the requirements of IAS 39 are met, and in particular that the company has the intention and ability to hold them to maturity.

-The company classifies investments for trading if they are acquired primarily for the purpose of making a profit in the short term.

-Classification of investments as fair value through income statement depends on how management monitors the performance of these investments. When they are not classified as held for trading but have available fair values and the changes in fair value were as part of the profit or loss in the management accounts, they are classified as at fair value through income statement.

-All other investments are classified as available for sale

4. PROPERTY, PLANT, AND EQUIPMENT

	2020	2019
Property, Plant, and Equipment	212,139,117	213,839,904
ADD:		
Strategic Spare Parts	19,892,043	20,731,554
Projects under construction	42,613,826	43,116,758
Total	274,644,986	277,688,216

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4. PROPERTY, PLANT, AND EQUIPMENT (continued):

	Land	Buildings	Internal Roads	Machinery and equipment	Water Extensions	Electricity Extensions	Vehicles and transportations	Tools	Furniture & fixtures	Total
Cost										
At 1 January 2020	22,250,326	124,248,917	11,604,751	486,720,314	2,556,395	8,317,471	13,074,102	1,358,728	9,022,677	679,153,681
Additions	1,447,717	604,940	552,867	1,549,001	154,350	-	486,340	2,642	1,164,469	5,962,326
At 31 December 2020	23,698,043	124,853,857	12,157,618	488,269,315	2,710,745	8,317,471	13,560,442	1,361,370	10,187,146	685,116,007
Accumulated depreciation										
At 1 January 2020	-	98,479,606	5,895,652	328,858,822	2,513,846	6,916,898	12,747,725	1,336,331	8,564,897	465,313,777
Charged during the year	-	3,059,963	655,122	3,548,008	14,196	177,899	118,423	5,825	83,677	7,663,113
At 31 December 2020	-	101,539,569	6,550,774	332,406,830	2,528,042	7,094,797	12,866,148	1,342,156	8,648,574	472,976,890
Net Book Value										
At 31 December 2020	23,698,043	23,314,288	5,606,844	155,862,485	182,703	1,222,674	694,294	19,214	1,538,572	212,139,117
At 31 December 2019	22,250,326	25,769,311	5,709,099	157,861,492	42,549	1,400,573	326,377	22,397	457,780	213,839,904



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5. INVESTMENTS IN AN ASSOCIATE

Investments in an associate represent investment in Qatar Gypsum Company. Ownership rate represents 33.34% of the associate's share capital. Movement in the investment is as follows:

	2020	2019
At 1 January	33,578,377	32,955,639
Share of results from investment in an associate	440,155	622,738
Unrealizes (loss) from the investment	(1,463,868)	-
At 31 December	32,554,664	33,578,377

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31/12/2020		31/12/2019	
	Number of shares	Value	Number of shares	Value
Tabuk Cement Company*	77,142	1,314,500	77,142	1,218,844
Kayan Petrochemical **	1,000,000	14,300,000	1,000,000	11,100,000
Al Madina Investment - Formerly Gulf Industrial Investment Company / Amman ***	2,170,695	487,168	2,170,695	401,848
Saudi Arabian Oil Company (Aramco) ****	300,000	10,500,000	300,000	10,575,000
Al Rajhi Bank *****	135,074	9,941,446	-	-
		36,543,114		23,295,692

* Tabuk Cement Company (it is a Saudi joint stock company listed on the financial market) (Tadawul) and, the company has re-evaluated the balance of that investment at fair value according to the market price as on December 31, 2020, the company owns 77,142 shares in it. 17.04 Saudi Riyals per share (as of December 31, 2019, at 15.80 Saudi Riyals per share).

** Kayan Petrochemical Company (it is a Saudi joint stock company listed on the financial market) (Tadawul) in which the company owns 1000,000 shares, and the company has made a re-evaluation of the balance of that investment at fair value according to the market price as on December 31, 2020, where the share price in that The date is 14.30 Saudi riyals per share (on December 31, 2019, at 11.10 Saudi riyals per share).

*** Al Madina Investment - Formerly Gulf Industrial Investment Company / Oman (it is an Omani joint stock company listed on the Omani financial market) and the company owns 2,170,695 shares in it. The share price on that date is 0.224 Saudi riyals per share (as of December 31, 2019, at 0.15 Saudi riyals per share).

**** The Saudi Arabian Oil Company (Aramco) (it is a Saudi joint stock company listed on the stock exchange) (Tadawul) in which the company owns 300,000 shares, and the company has made a re-evaluation of the balance of that investment at fair value according to the market price as on December 31, 2020 A share on that date is 35 Saudi riyals per share (on December 31, 2019, at 35.25 Saudi riyals per share).

*****Al-Rajhi Bank (it is a Saudi joint stock company listed on the financial market) (Tadawul) in which the company owns 135,074 shares, and the company has re-evaluated the balance of that investment at fair value according to the market price as on December 31, 2020, where the share price on that date reached 73.6 Saudi Riyals per share.



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6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The movement in investment during the year was as follows:

	2020	2019
At 1 January	23,295,692	14,796,630
Additions during the year	7,968,160	10,000,000
Unrealized gains / (losses) from investments at fair value through other comprehensive income	5,279,262	(1,500,938)
At 31 December	36,543,114	23,295,692

7. INVENTORY, NET

	2020	2019
Raw Materials	19,332,792	21,056,831
Finished goods and work in progress	3,089,840	5,075,447
Fuels and others	4,853,291	5,673,520
	27,275,923	31,805,798
Provision for slow moving and obsolescence inventory	(160,148)	(160,148)
	37,115,775	31,645,650

8. TRADE RECEIVABLES, NET

	2020	2019
Trade receivables	26,712,609	26,687,746
Less:		
Provision for expected credit losses	(748,833)	(461,917)
	25,963,776	26,225,829

The movement in provision for expected credit losses during the year was as follows:

	2020	2019
At 1 January	461,917	461,917
Charged during the year	286,916	-
At 31 December	748,833	461,917

9. PREPAYMENTS AND OTHER DEBIT BALANCES

	2020	2019
Prepaid expenses	1,452,164	626,171
Accrued revenue	1,051,441	1,009,835
Fees bound for insurance	1,002,548	1,002,548
Advance payments to suppliers	2,002,551	4,434,568
Others	664,871	562,066
	6,173,575	7,635,188



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10. CASH AND CASH EQUIVALENTS

	2020	2019
Bank balances	87,648,694	59,533,040
Cash on hand	168,502	63,976
Cheques under collection	4,600,000	4,600,000
	92,417,196	64,197,016

11. EMPLOYEES' DEFINED BENEFIT PLAN OBLIGATIONS

	2020	2019
At 1 January	3,245,890	3,089,218
Current service cost charged during the year	1,517,844	714,063
Paid during the year	(1,236,596)	(557,391)
Re-measurement losses of employees' defined benefits plan	143,287	-
At 31 December	3,670,425	3,245,890

12. TRADE PAYABLES

	2020	2019
Suppliers	3,428,591	3,387,909
Advances received from customers	291,538	304,682
	3,720,129	3,692,591

13. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	2020	2019
Accrued expenses	4,352,170	2,075,055
Refundable deposits	246,100	261,000
Others	836,230	739,526
	5,434,500	3,075,581



14. ZAKAT PROVISION

Zakat provision is calculated based on the best estimates of Company's management. The following is Zakat calculation for the year ended 31 December:

	2020	2019
Book net profit	44,835,519	14,508,985
Adjustments to the net profit	(4,255,550)	(622,738)
Provisions charged during the year	1,948,047	714,063
Adjusted net profit	42,528,016	14,600,310
Total added Items	449,972,118	467,865,784
Total Subtracted Items	(338,166,634)	(342,269,144)
Estimated Zakat Base	154,333,500	140,196,950
Estimated Zakat expense (2.5%)	3,858,338	3,504,924
Estimated Zakat resulting from the difference in the number of days in the Gregorian year from the Hijri year	94,750	97,568
	3,953,088	3,602,492

The movement in zakat provision during the year was as follows:

	2020	2019
At 1 January	3,602,492	3,219,335
Charged during the year	3,953,088	3,602,492
Paid during the year	(3,602,492)	(3,219,335)
At 31 December	3,953,088	3,602,492

Zakat position

The company submitted the zakat declarations to General Authority for Zakat and Income until the year ended December 31, 2019 and paid the zakat due according to these declarations. The Company obtained a restricted certificate.

15- DIVIDENDS

The Company's Ordinary General Assembly No. (55), held on April 15, 2020, approved the distribution of cash dividends in the amount of SAR 11,083,333 at 35 halalas per share, representing 3,5% of the Company's share capital, and a bonus payment of SAR 1,800,000 to the members of Board of Directors.

16. REVENUE, NET

	2020	2019
Sale of gypsum	108,646,872	66,486,343
Sale of gypsum walls	5,300,094	6,915,321
	113,946,966	73,401,664
Less:		
Sale Discounts	(6,892,894)	(3,220,049)
	107,054,072	70,181,615



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17. SELLING AND DISTRIBUTION EXPENSES

	2020	2019
Salaries and other benefits	2,310,619	1,812,994
Maintenance	203,011	79,318
Others	1,763,645	766,561
	<u>4,277,275</u>	<u>2,658,873</u>

18. GENERAL AND ADMINISTRATION EXPENSES

	2020	2019
Salaries and other benefits	3,040,167	2,873,932
Depreciation of property, plant and equipment	613,390	594,061
Salaries and allowances of members of BOD and audit committee	1,246,639	1,048,285
Expected credit losses	286,916	-
Electricity and water	150,655	45,454
Maintenance	82,233	87,692
Subscriptions and fees	435,039	383,756
Others	623,834	578,685
	<u>6,478,873</u>	<u>5,611,865</u>

19. OTHER (EXPENSES) / INCOME, NET

	2020	2019
Rental income	931,004	982,504
Cash Dividends	542,119	-
Miscellaneous expenses	(1,840,152)	(613,361)
Walls installation income – materials installation	17,202	219,979
Scrap income	4,710	2,085
Miscellaneous income	20,015	1,358,391
	<u>(325,102)</u>	<u>1,949,598</u>

20. EARNINGS PER SHARE

The Earnings per share was calculated by dividing the net profit for the year by the weighted average number of shares during the year which is as follows:

	2020	2019
Profit for the year attributable to shareholders of the company	37,210,323	10,906,493
Weighted average number of shares	31,666,667	31,666,667
* Basic Earnings per share	1.18	0.34
* Diluted Earnings per share	1.18	0.34

* During the year, there were no dilutive shares, so the diluted earnings per share does not differ from the basic earnings per share in earnings.



NATIONAL GYPSUM COMPANY
 NOTES TO THE FINANCIAL STATEMENTS
 AS AT DECEMBER 31, 2020
 (ALL AMOUNTS EXPRESSED IN SAUDI RIYAL UNLESS OTHERWISE STATED)

21. OPERATING SEGMENTS

The Company and its branches are managed as one operational sector in the manufacture and production of all kinds of gypsum. The Company and its branches operate in the Kingdom of Saudi Arabia.

	Riyadh		Yanbu		Dammam		Sub-Total		Total
	Gypsum	Walls	Gypsum	Walls	Gypsum	Walls	Gypsum	Walls	
At 31 December 2020									
Revenue, net	72,222,027	515,979	15,752,084	-	13,926,252	4,637,730	101,900,363	5,153,709	107,054,072
Gross profit	43,733,590	(368,869)	7,561,860	(803,220)	3,592,701	(1,911,556)	54,888,151	(3,083,645)	51,804,506
Profit / (losses) before Zakat	37,544,789	(990,119)	5,594,568	(906,762)	2,557,284	(2,636,349)	45,696,641	(4,533,230)	41,163,411
Property, plant and equipment	86,215,517	12,442,999	53,171,099	30,004,141	67,273,200	25,538,030	206,659,816	67,985,170	274,644,986
At 31 December 2019									
Revenue, net	47,242,036	2,882,157	8,271,178	-	8,323,717	3,462,527	63,836,931	6,344,684	70,181,615
Gross profit	23,543,080	(1,460,824)	749,616	(542,302)	56,956	(2,139,139)	24,349,652	(4,142,265)	20,207,387
Profit(losses) before Zakat	21,291,908	(1,532,102)	(1,067,082)	(313,578)	(1,759,742)	(2,110,419)	18,465,084	(3,956,099)	14,508,985
Property, plant and equipment	85,006,642	12,559,693	53,948,308	30,781,350	68,050,409	27,341,814	207,005,359	70,682,857	277,688,216



22. COMMITMENTS AND CONTINGENT LIABILITIES

- The company has issued bank letters of guarantee amounting to 1,700,000 Saudi riyals as on December 31, 2020 (1,700,000 Saudi riyals as of December 31, 2019).
- The company has bank letters of guarantee received from others represented in the guarantees provided by the company's clients amounting to 1,771,400 Saudi riyals as on December 31, 2020 (2,271,400 as of December 31, 2019).

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount that would be received when an asset was sold or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's financial instruments consist of financial assets and financial liabilities.

The company's financial assets consist of cash and cash equivalents, trade and other receivables, and due from related parties.

Financial liabilities consist of trade and other payables.

The fair value of financial instruments is not materially different from their carrying value, unless otherwise indicated.

24. RISK MANAGEMENT

Credit risk

Credit risk is the inability of one party to fulfill its obligations which results in the other party incurring a financial loss. The company is committed to managing credit risk related to customers by setting credit limits for each client and monitoring outstanding receivables.

Special commission rate risk

Special commission rate risk relates to risks arising from fluctuations in the value of a financial instrument as a result of changes in commission rates prevailing in the market. The company is subject to special commission rate risk regarding its special commission-related assets, such as murabaha deposits and credit facilities.

Liquidity risk

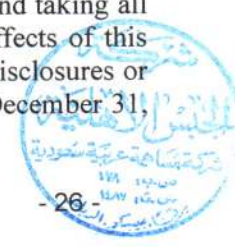
Liquidity risk represents the difficulty that the company faces in raising the funds needed to fulfill the obligations related to financial instruments. Liquidity risk arises from the inability to sell a financial asset quickly for an amount equal to its fair value. The company manages liquidity risks by maintaining cash balances with banks and ensuring that adequate facilities can be obtained, if required, to cover its short-term liabilities on an ongoing basis.

It includes the conditions for collecting the value of sales within a period of 30 to 60 days from the date of sale and that the value of purchases be paid within a period of 30 to 60 days from the date of purchase.

Currency risk

Currency risk is the result of fluctuation in the value of financial instruments due to changes in foreign exchange rates. The company is subject to fluctuations in foreign exchange rates during its normal business cycle. The company did not conduct any significant transactions in currencies other than the Saudi riyal, the US dollar and the euro during the year

With regard to the effects resulting from the spread of the Coronavirus (Covid 19), which appeared and spread during the fiscal year ending on December 31, 2020 as a global pandemic, and the precautionary measures taken by the government of the Kingdom of Saudi Arabia in its implementation to confront this epidemic, the Fund's management believes that this event had no fundamental impact. On the results of the fund operations up to the date of the financial statements. The fund is currently unable to anticipate the financial impact of this crisis, and the fund's management is following up on developments and taking all possible financial and administrative measures in order to mitigate the potential negative effects of this epidemic, and changes in future conditions associated with this epidemic may require some disclosures or amendments to the financial statements in subsequent periods of the fiscal year. Ending on December 31, 2020.



25. GEOGRAPHICAL DISTRIBUTION:

All of the Company's assets and liabilities are located in Kingdom of Saudi Arabia.

26. MAIN EVENTS:

The outbreak of the new Corona virus (Covid-19) in early 2020 and spread worldwide, including the Kingdom of Saudi Arabia, caused the disruption of many companies and economic activities. The company's management believes that this pandemic has no material impact on the balance sheet as of December 31, 2020. Given the current uncertainty about the future, management will continue to assess the impact based on future developments.

