

**NATIONAL GYPSUM COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITORS' REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

# NATIONAL GYPSUM COMPANY

(A SAUDI JOINT STOCK COMPANY)

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Financial statements for the year ended December 31, 2021

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**INDEPENDENT AUDITOR'S REPORT****TO THE SHAREHOLDERS  
NATIONAL GYPSUM COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
RIYADH - SAUDI ARABIA  
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****Opinion**

We have audited the accompanying financial statements of National Gypsum Company ("the Company"), which comprise the statement of financial position as at December 31, 2021, the statement of profit or loss and comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and the accompanying notes thereon, including a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the possible effect of the modifications, which we could have determined were necessary if we had been able to obtain the data and information referred to in the Basis for Qualified Opinion paragraph below, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2021, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards that are endorsed in the Kingdom Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

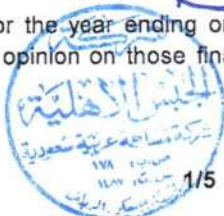
**Basis for Qualified Opinion**

As stated in Note (5) and Note (25), the company's property, plant and equipment includes capital projects in progress balance of which amounted to SR. 42 million at the financial position date. The balance represents the expenditure of the installation and operation of the Alpha and Beta Factory at the company's branch in Dammam, where the installation and operation works have not been completed yet. It also includes strategic spare parts amounted to SR.16.4 million for plant and equipment. Furthermore, it includes property, plant and equipment for the company's factories amounted to SR.64 million to produce gypsum walls, whereby net annual loss was incurred. The management carried out a study for the recoverable value of the projects in progress and the plant. However, it was not adequate to determine whether there were any necessary adjustments to be made on the book value of these projects and plant. The management is currently working on a new study that takes into account all the new developments in the market. Accordingly, we were unable to determine, whether there is a need to recognize any impairment of these assets in the accompanying financial statements.

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the professional code of conducts and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidences that we have obtained are sufficient and appropriate to provide a basis for our qualified opinion.

Other matter 

The company's financial statements for the year ending on December 31, 2020, have been audited by another auditor who expressed an unqualified opinion on those financial statements in his report on Sha'ban 16, 1442H (corresponding to March 29, 2021).



**INDEPENDENT AUDITOR'S REPORT... (Continued)**

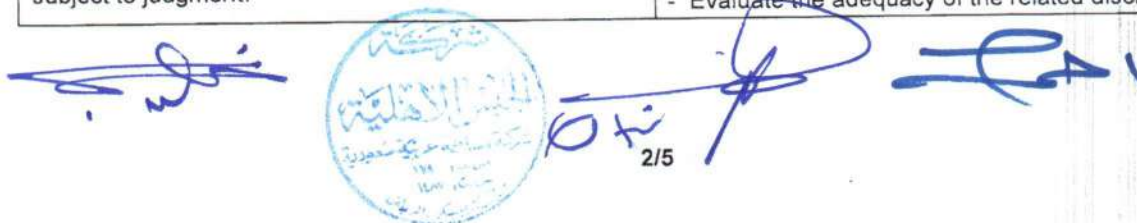
TO THE SHAREHOLDERS  
 NATIONAL GYPSUM COMPANY  
 (A SAUDI JOINT STOCK COMPANY)  
 RIYADH - SAUDI ARABIA

**Key audit matters**

Key audit matters are those matters that, according to our professional judgment, were of most significance in our audit of the financial statements for this period. 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. Key audit matters include the following:

Investments in equity instruments at fair value through other comprehensive income:	
The key audit matter	How our audit addressed the key audit matter
<p>As at December 31, 2021, the company has investments in equity instruments in listed companies amounting to SR 35,281,072 (2020: SR 36,543,114), where these investments are measured at fair value in the statement of the financial position. The changes in fair value are included in the statement of profit or loss and other comprehensive income.</p> <p>In order to assess the objective evidence of impairment of investments in equity instruments in listed companies, management monitors fluctuations in prices and uses impairment criteria.</p> <p>Determining whether the quoted prices of securities held by the company do not reflect their fair value requires judgment and the use of estimates by management.</p>	<p>We performed the following procedures as part of our audit of investments in equity instruments through other comprehensive income:</p> <ul style="list-style-type: none"> <li>- Review the design and effectiveness of the internal control systems related to the evaluation of these investments for the company.</li> <li>- We considered fluctuations / changes in prices during the acquisition period to ensure whether the impairment met the criteria for impairment.</li> <li>- Verify ownership of the company's investments.</li> <li>- Evaluate the adequacy of the related disclosures.</li> </ul>

Investments in associates:	
The key audit matter	How our audit addressed the key audit matter
<p>As at December 31, 2021, the company has investments in associates amounting to SR 34,035,624 (2020: SR 32,554,664).</p> <p>At each reporting date, the company evaluates whether there is any indication of impairment of these investments, and in the event that occurs, the company calculates the amount of the impairment as the difference between the recoverable value of the associate and its carrying amount. The loss is included as impairment in the statement of profit or loss and other comprehensive income.</p> <p>The impairment of investments in associates considered a key audit matter as the valuation inputs are largely subject to judgment.</p>	<p>We performed the following procedures as part of our audit :</p> <ul style="list-style-type: none"> <li>- Verify ownership of the company's investments and disclose any obligations related to these investments.</li> <li>- Consider the adequacy of the company's policies related to testing the impairment of investments in associates and assessing compliance with the applied accounting standards.</li> <li>- Evaluate the management procedures in the impairment test and evaluate the design and application of the main controls over these procedures.</li> <li>- Evaluate the adequacy of the related disclosures.</li> </ul>



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INDEPENDENT AUDITOR'S REPORT... (Continued)

TO THE SHAREHOLDERS  
NATIONAL GYPSUM COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
RIYADH - SAUDI ARABIA

Key audit matters... (Continued)

The key audit matter	How our audit addressed the key audit matter
<b>Revenue recognition</b>	
<p>Revenue is an important component of the company's performance and profitability. It also includes inherent risk by recognizing revenue at more than its actual value to increase profitability. Therefore, this matter was considered a key audit matters.</p> <p>As stated in note No. (21), the company's revenues amounted to SR 85,559,036 for the financial year ended on December 31, 2021 (2020: SR 103,759,129).</p>	<p>We performed the following procedures among others matters with regard to revenue recognition:</p> <ul style="list-style-type: none"> <li>- Test the design of internal control procedures and operational effectiveness with regard to revenue recognition and receivables, as well as cut-off procedures to ensure that revenue is recognized in the correct period.</li> <li>- Testing a sample of the products sales and verifying the proper application of the revenue recognition policy.</li> <li>- Analytical procedures to verify the validity of the recognized revenues by comparing the amount of sales and prices for the current year with the previous year and determining whether there are significant fluctuations that need additional examination in light of our understanding of the current market conditions.</li> <li>- Verification of the appropriateness of accounting policies to the company's revenue recognition in accordance with the requirements of the IFRS 15 Revenue from contracts with customers.</li> </ul>

**Other information included in the Company's annual report for the year ended 31 December 2021**

Other information consists of other information from the information included in the Company's annual report for the year ended 31 December 2021, other than the financial statements and the auditors' report thereon. Management is responsible for the other information included in the annual report. The annual report is expected to be made available to us after the date of this auditor's report.

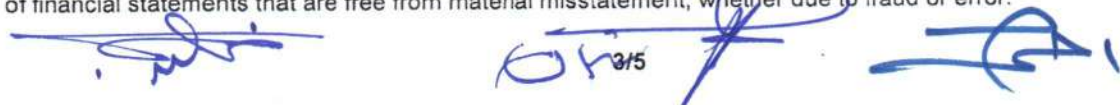
Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

When we read the other information and discover a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as endorsed in the Kingdom Saudi Arabia and other standards and pronouncements that are issued by SOCPA, and the provisions of Companies' Law and company's Articles of Association 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.




**INDEPENDENT AUDITOR'S REPORT... (Continued)**

TO THE SHAREHOLDERS  
NATIONAL GYPSUM COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
RIYADH - SAUDI ARABIA

**Responsibilities of Management and those charged with Governance for the Financial Statements (Continued)**

In preparing the financial statements, the 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 realistic appropriate alternative but to do so.

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

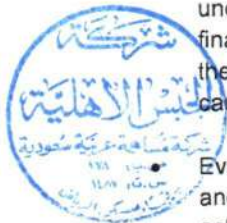
**Auditors' Responsibilities for the Audit of the Financial Statements**

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 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 International standards on auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 International Standards of Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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 a fair presentation.

We communicate with the 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.



**INDEPENDENT AUDITOR'S REPORT... (Continued)**

TO THE SHAREHOLDERS  
NATIONAL GYPSUM COMPANY  
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RIYADH - SAUDI ARABIA

**Auditors' Responsibilities for the Audit of the Financial Statements... (Continued)**

We have also provided those charged with governance with a statement which states that we have complied with the relevant ethical requirements relating to independence. Furthermore, they have been informed with all relations and other matters that we believe reasonably affect our independence and, as appropriate, the relevant safeguard measures.

From the matters communicated to 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, accordingly, are considered the key matters for the audit. We describe these matters in our auditor's report unless the law or regulation precludes public disclosure of such matter, or when, in extremely rare circumstances, we determine that matter should not be reported because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

FOR EL SAYED EL AYOUTY &amp; CO.

JEDDAH: Sha'aban 26, 1443 H  
March 29, 2022

*A. Balamesh*

Abdullah A. Balamesh  
Certified Public Accountant  
License No. (345)



**NATIONAL GYPSUM COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**Statement of financial position**

(All amounts in Saudi Riyals unless otherwise stated)

Assets	Notes	As at December 31,		January 01,
		2021	2020 (Restated - note 26)	2020 (Restated - note 26)
<b>Non-current assets</b>				
Property, plant and equipment- net	5	265,666,520	272,360,501	275,158,929
Investments in associates	6	34,035,624	32,554,664	33,578,377
Investments in equity instruments at fair value through other comprehensive income	7	35,281,072	36,543,114	23,295,692
Financial assets held at fair value through profit and loss	8	10,000,000	-	-
Right to use assets	9	7,524,101	8,067,633	-
<b>Total non-current assets</b>		<b>352,507,317</b>	<b>349,525,912</b>	<b>332,032,998</b>
<b>Total assets</b>				
Inventory - Net	10	25,986,073	29,361,499	34,174,937
Trade receivables – net	11	29,767,064	17,732,689	21,289,685
Prepaid expenses and other receivable balances	12	5,362,526	4,323,591	5,890,744
Cash and cash equivalents	13	87,975,714	92,522,736	64,197,016
<b>Total current assets</b>		<b>149,091,377</b>	<b>143,940,515</b>	<b>125,552,382</b>
<b>Total assets</b>		<b>501,598,694</b>	<b>493,466,427</b>	<b>457,585,380</b>
<b>Shareholders' Equity and liabilities</b>				
<b>Shareholders' Equity</b>				
Share capital	14	316,666,667	316,666,667	316,666,667
Statutory reserve	15	95,000,001	95,000,001	95,000,001
Reserve for revaluation of investments through other comprehensive income			13,073,092	9,257,697
Re-measurement of employee defined benefits		498,487	(143,287)	-
Retained earnings		45,106,240	35,960,711	15,274,308
<b>Total shareholders' equity</b>		<b>474,318,545</b>	<b>460,557,184</b>	<b>436,198,673</b>
<b>Non-current liabilities</b>				
Lease obligations - non-current portion	9	6,686,372	7,334,260	-
Employees' defined benefits obligations	16	3,148,331	3,670,425	3,245,890
<b>Total non-Current liabilities</b>		<b>9,834,703</b>	<b>11,004,685</b>	<b>3,245,890</b>
<b>Current liabilities</b>				
Trade payables	17	3,241,040	3,720,130	3,692,591
Accrued expenses and dividend payable	18	10,774,302	13,602,323	10,845,734
Lease obligations - current portion	9	-	629,017	-
Zakat provision	19	3,430,104	3,953,088	3,602,492
<b>Total current liabilities</b>		<b>17,445,446</b>	<b>21,904,558</b>	<b>18,140,817</b>
<b>Total liabilities</b>		<b>27,280,149</b>	<b>32,909,243</b>	<b>21,386,707</b>
<b>Total shareholders' equity and liabilities</b>		<b>501,598,694</b>	<b>493,466,427</b>	<b>457,585,380</b>



Financial Director, General Manager  
and Member of the Board of Directors

Chief Executive Officer

Chairman of the Board of Directors

The accompanying notes from (1) to (34) form an integral part of these financial statements.



# NATIONAL GYPSUM COMPANY

(A SAUDI JOINT STOCK COMPANY)

## Statement of profits or losses and other comprehensive income

(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended	
		December 31,	
		2021	2020
			(Restated - note 26)
Sales	21	85,559,036	103,759,129
Cost of sales		(51,317,695)	(55,086,528)
<b>Gross profit</b>		<b>34,241,341</b>	<b>48,672,601</b>
Selling and marketing expenses	22	(3,637,145)	(4,277,275)
General and administrative expenses	23	(8,489,091)	(8,689,751)
<b>Profit from operation</b>		<b>22,115,105</b>	<b>35,705,575</b>
Company's share from results of investment in associate	6	981,469	440,155
Dividends from investments in equity instruments at fair value		585,623	542,119
Financing costs		(128,984)	(97,804)
Other (expenses) / income, Net		636,016	(867,221)
<b>Net profit of the year before zakat</b>		<b>24,189,229</b>	<b>35,722,824</b>
Zakat	19	(3,430,104)	(3,953,088)
<b>Net profit for the year</b>		<b>20,759,125</b>	<b>31,769,736</b>
<b>Other comprehensive income:</b>			
Unrealized profits in equity investments at fair value through other comprehensive income	7	9,863,993	5,279,263
The Company's share in the comprehensive income of associates	6	1,496,469	(1,463,868)
Profits / (Losses) of re-measurement of employees' defined benefit obligations	16	641,774	(143,287)
<b>Total comprehensive income for the year</b>		<b>32,761,361</b>	<b>35,441,844</b>
<b>Basic and diluted earnings per share for the year:</b>			
Of the operating profit	24	0,70	1,12
Of the net profit		0,66	1
Weighted average number of shares		31,666,667	31,666,667



Financial Director, General  
Manager and Member of the  
Board of Directors

Chief Executive Officer

Chairman of the Board of Directors

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**NATIONAL GYPSUM COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**Statement of changes in shareholders' equity for the year ended December 31, 2021**

(All amounts in Saudi Riyals unless otherwise stated)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Reserve for revaluation of investments through OCI</u>	<u>Reserve for re-measurement of employee defined benefit obligation</u>	<u>Retained earnings</u>	<u>Total shareholders' equity</u>
Balance as at January 01, 2020	316,666,667	95,000,001	9,257,697	-	23,754,896	444,679,261
Remuneration of the BOD for the year 2019	-	-	-	-	(1,800,000)	(1,800,000)
Previous years adjustments (Note 26)	316,666,667	95,000,001	9,257,697	-	21,954,896	442,879,261
Balance as at January 01, 2020 (Restated)	-	-	-	-	(6,680,588)	(6,680,588)
Net profit for the year - Restated	316,666,667	95,000,001	9,257,697	-	15,274,308	436,198,673
Change in OCI for the year	-	-	-	-	31,769,736	31,769,736
	-	-	3,815,395	(143,287)	-	3,672,108
<b>Total comprehensive income for the year</b>	-	-	3,815,395	(143,287)	31,769,736	35,441,844
Dividends	-	-	-	-	(11,083,333)	(11,083,333)
Balance as at December 31, 2020 (Restated)	316,666,667	95,000,001	13,073,092	(143,287)	35,960,711	460,557,184
Balance as at January 01, 2021 (Restated)	316,666,667	95,000,001	13,073,092	(143,287)	35,960,711	460,557,184
Net profit for the year - Restated	-	-	-	-	20,759,125	20,759,125
Change in OCI for the year	-	-	11,360,462	641,774	-	12,002,236
<b>Total comprehensive income for the year</b>	-	-	11,360,462	641,774	20,759,125	32,761,361
Dividends	-	-	-	-	(19,000,000)	(19,000,000)
Gains from the sale of investments at FVOCI	-	-	(6,091,999)	-	6,091,999	-
Gains on sale of investments at FVOCI in associates	-	-	(1,294,405)	-	1,294,405	-
Balance as at January 01, 2021	316,666,667	95,000,001	17,047,150	498,487	45,106,240	474,318,545

Financial Director, General Manager  
and Member of the Board of Directors

Chief Executive Officer

Chairman of the Board of Directors



The accompanying notes from (1) to (34) form an integral part of these financial statements.

# NATIONAL GYPSUM COMPANY

(A SAUDI JOINT STOCK COMPANY)

## Statement of cash flows

(All amounts in Saudi Riyals unless otherwise stated)

	<u>For the year ended</u>	
	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
		<u>(Restated - note 26)</u>
<b>Cash flows from operating activities:</b>		
Net profit for the year before zakat	24,189,229	35,722,824
<b>Adjustments for Net profit:</b>		
Depreciation of property, plant and equipment and spare parts	8,813,239	7,663,113
Depreciation of right to use	543,532	543,532
Financing cost	128,984	97,804
Employees' defined benefit obligations	424,188	1,420,040
Provisions made during the year	453,412	-
The company's share of results from investment in an associate	(981,469)	(440,155)
Losses on disposal of property, plant and equipment	733	-
<b>Changes in items of operating assets and liabilities:</b>		
Inventories	3,090,853	4,813,438
Trade receivables	(12,034,375)	3,556,996
Prepaid expenses and other receivable balances	(1,207,774)	1,567,153
Trade payables	(479,090)	27,538
Accrued expenses and dividends payable	(2,828,021)	2,756,590
	<u>20,113,441</u>	<u>57,728,873</u>
Employees' defined benefit obligations - paid	(414,621)	(1,236,596)
Zakat paid	(3,953,088)	(3,602,492)
<b>Net Cash flows provided by operating activities</b>	<u>15,745,732</u>	<u>52,889,785</u>
<b>Cash flows from investing activities:</b>		
Net payments to purchase property and equipment	(2,119,991)	(4,864,684)
Payments to purchase investments at fair value through profit or loss	(10,000,000)	(7,968,160)
Payments to purchase investments at fair value through other comprehensive income	(9,190,500)	-
Proceeds from the sale of investments at fair value through other comprehensive income	20,316,535	-
Dividends received from associates	996,978	-
<b>Net cash flows provided by / (used in ) investing activities</b>	<u>3,022</u>	<u>(12,832,844)</u>
<b>Cash flows from financing activities:</b>		
Dividends	(19,000,000)	(11,083,333)
Lease obligations - paid portion	(1,295,776)	(647,888)
<b>Cash flows (used in ) financing activities</b>	<u>(20,295,776)</u>	<u>(11,731,221)</u>
Net (Decrease) / Increase in cash and cash equivalents	(4,547,022)	28,325,720
Cash and cash equivalents at the beginning of the year	92,522,736	64,197,016
<b>Cash and cash equivalents at the end of the year</b>	<u>87,975,714</u>	<u>92,522,736</u>
<b>Non-cash transactions:</b>		
Unrealized gains on investments at fair value through other comprehensive income	11,360,462	3,815,395
Re-measurement of employee defined benefit obligations	641,774	(143,287)
Right to use assets - previously classified as operating leases	-	8,611,165

Financial Director, General Manager  
and Member of the Board of Directors

Chief Executive Officer

Chairman of the Board of Directors

The accompanying notes from (1) to (34) form an integral part of these financial statements.

# NATIONAL GYPSUM COMPANY

(A SAUDI JOINT STOCK COMPANY)

## Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

### 1. Company and activity

National Gypsum Company ("the company") is a Saudi joint stock company registered in the city of Riyadh, Kingdom of Saudi Arabia under the commercial registration No. 1010001487 dated April 27, 1959 (corresponding to Shawwal 19, 1378 H).

#### Company activity

The main activity of the company, according to the register, is the manufacture and production of gypsum and its derivatives extracted from concession areas, trading in gypsum and its derivatives, the production of various materials that can be extracted from gypsum mechanically and chemically, and carrying out all the necessary work to achieve its purpose, which helps to achieve this purpose. The company has concession rights for raw stone in three concession areas (quarries) in the city of Riyadh, the city of Dammam and the city of Yanbu, noting that the quarries' operations in each of the cities of Dammam and Yanbu are temporarily suspended.

#### Company Branches:

The company has several branches registered as follows:

<u>Branch</u>	<u>C.R. Date</u>	<u>C.R. No</u>
Jeddah	26 Muharram 1392H	4030007100
Dammam	6 Rajab 1395H	2050003512
Yanbu	18 Rabi Awwal 1400H	4700000546
The National Factory for Gypsum Walls - Riyadh	10 Rabi al-Akhir 1425H	1010198301
The National Gypsum Company Factory - Dammam	4 Jumada Al-Akhir 1426H	2050048707
National Gypsum Company - Dammam	4 Rabi al Awwal 1428H	2050053971

#### The company's capital

The company's capital is SR. 316,666,667, divided into 31,666,667 shares, with a nominal value of SR.10 per share.

#### Company Address:

##### General and commercial administration

Prince Muhammad Bin Abdulaziz Road - Al Olaya District  
PO Box 187 Riyadh, Postal Code 11411  
Riyadh, Saudi Arabia

#### Fiscal year

The company's fiscal year starts from the beginning of January of each calendar year and ends at the end of December of the same year

### 2. Basis of preparation

#### 2.1. Statement of compliance

These annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) adopted in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by 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:

- Investments in equity instruments, which are measured at fair value through other comprehensive income.
- Investments in equity instruments, which are measured at fair value through profits or losses.
- Employees' defined benefit obligations, which are measured at the present value of future obligations in accordance with the projected credit unit method.



# NATIONAL GYPSUM COMPANY

## (A SAUDI JOINT STOCK COMPANY)

### Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

#### 2. Basis of preparation...(Continued)

#### 2.3. Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SR") which is the functional and presentation currency of the company. All figures are rounded to nearest Saudi Riyal unless otherwise stated.

#### 2.4. Significant accounting estimates, assumptions and judgments

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies on the reported amounts of assets, liabilities, revenue and expenses.

Although these estimates and judgments are based on management's best information regarding current operations and events, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. The recognized accounting estimates are reviewed in the period in which the estimates are revised prospectively, in the event that the changed estimates affect the current and future periods.

The following is an explanation of information about the most important estimates and cases of uncertainty when applying accounting policies that have a significant impact on the amounts shown in the financial statements:

#### Measurement of employees benefits obligations

The Company's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value. The calculation is performed annually by a qualified actuary using the projected unit credit method. Judgments are used in estimating the actuarial assumptions.

#### Impairment of inventories

Management estimate the impairment of inventories to reach the net realizable value. Where the goods are measured at the lower of cost and net realizable value. Factors that affect the inventories value include obsolescence, changes in demand for the goods, technological changes, or the presence of damaged inventory or part of it, or if the selling price is less than its cost.

#### Provision for expected credit losses (ECL)

The Company applies the expected credit loss (ECL) model to determine the impairment losses of trade receivables and other receivables. This requires the Company to take certain factors to ensure that the balances of receivables are not overvalued as a result of the possibility of un-collecting them, such as ageing of receivables and continuous credit evaluation. Provisions are recorded when there is an objective evidence indicates the possibility of un-collection according to IFRS 9.

#### Impairment of non-financial assets

Non-financial assets (except inventories) are reviewed for impairment. If the indication exists, then the asset's recoverable amount is estimated.

For the purpose of assessing impairment, assets are divided into small groups that generate cash flows resulting from continuous use and that are largely independent of cash flows resulting from other assets or cash generating units. The recoverable value of an asset or a cash-generating unit is its value in use or its fair value net costs to sale, whichever is higher. The value in use is based on the estimated future cash flows discounted to its present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or to cash-generating unit.

Impairment losses are recognized if the carrying amount of the asset or cash-generating unit exceeds its recoverable amount. The impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed its carrying value after deducting the depreciation that would have been determined unless the impairment losses were recognized.



# NATIONAL GYPSUM COMPANY

(A SAUDI JOINT STOCK COMPANY)

## Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

### 2. Basis of preparation...(Continued)

#### 2.4 Significant accounting estimates, assumptions and judgments... (Continued)

##### Useful lives of property and equipment

The management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually, and the change in depreciation expenses (if any) is adjusted in the current and future periods.

##### Measurement of fair value

###### The fair value of the assets and liabilities

Fair value is the selling price that would be received in exchange for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date or, otherwise. The best market available on that date. The fair value of obligations reflects the risk of inability to perform.

When measuring the fair value of a financial asset or liability, the company uses market observable data as much as possible.

Fair values are categorized into a hierarchy based on the data used in the valuation techniques as follows:

- Level 1: Quoted prices in active market for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. As at December 31, 2021 and December 31, 2020, there are no transfers between levels.

##### Going concern

The company has no doubts about its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

### 3. Significant accounting policies

The significant accounting policies set of below have been applied consistently to all periods presented in these financial statements.

#### 3.1. Foreign currency

Transactions in currencies other than Saudi Riyals are recorded at the rates of exchange prevailing on the dates of the transactions. At reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Gains or losses from exchange rate differences are included in the statement of profits or losses and other comprehensive income.

#### 3.2. Revenue recognition

Revenue is recognized when the company fulfills its obligations in contracts with clients at an amount that reflects the material compensation for the goods sold. The company establishes contracts with clients based on a five-step model as defined in IFRS 15:



# NATIONAL GYPSUM COMPANY

## (A SAUDI JOINT STOCK COMPANY)

### Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

#### 3. Significant accounting policies...(Continued)

##### 3.2. Revenue recognition... (Continued)

###### Step 1. Determine the contract (s) with a client:

A contract is an agreement concluded between two or more parties that establishes rights and undertakings and sets out the criteria that must be fulfilled for each contract.

###### Step 2. Determine the performance obligations in the contract:

A performance commitment is a promise in the contract with the client to transfer goods or provide services to the client.

###### Step 3. Determine the transaction price:

The transaction price is the amount of the consideration that the company expects to receive in exchange for transferring the goods or services promised to the client, excluding the amounts collected on behalf of third parties.

###### Step 4. Allocation of the transaction price to the performance obligations in the contract:

In a contract that contains more than one performance obligation, the company will distribute the transaction price to each performance obligation in an amount that determines the amount of the consideration that the company expects to receive in exchange for fulfilling each performance obligation.

###### Step 5. Recognition of revenue when (or where) the entity fulfills a performance obligation.

If the amount intended to be paid in the contract includes a variable amount, the company shall estimate the amount that the company is entitled to in exchange for transporting the goods and services committed to be provided to the client.

###### Sale of goods

The company sells gypsum, where the sale is made according to sales invoices and / or separate specific contracts concluded with customers.

For contracts with customers in which the sale of products is generally expected to be the only performance obligation, the Company has come to the conclusion that revenue from the sale must be recognized at the point in which control of the asset is transferred to the customer at a specified point in time, which is done usually upon delivery.

Revenue from the sale of by-products resulting from industrial waste is treated as other income in the statement of profit or loss and other comprehensive income.

The Company considers the following indicators of the transfer of control, which include, but are not limited to the following:

- The Company has a present right to payment for the asset
- The customer has the legal right to the asset
- The Company has transferred the physical possession of the asset
- The customer has the significant risks and rewards of ownership of the asset
- The customer has accepted the asset

###### Rebate

Additional Rebate are often granted to customers according to competitive and market conditions. Therefore, revenue from sales is recognized on The basis of the price specified in the contract or agreed upon with the customer, after deducting the specific discounts for each customer.

##### 3.3 Employee benefits

###### Employee defined benefit obligations

According to the Saudi Labor Law in the Kingdom of Saudi Arabia, the company is required to pay end-of-service benefits (a defined benefit plan) and it is calculated based on half the salary of the last month of each year of the first five years of service, including fractions of the year, in addition to full salary for each of the following years of service, including fractions of the year. End of service benefits are not funded.



# NATIONAL GYPSUM COMPANY

## (A SAUDI JOINT STOCK COMPANY)

### Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

#### 3. Significant accounting policies...(Continued)

##### 3.3 Employee benefits...(Continued)

###### Employees end of service benefits

The defined benefit plan is a compensation plan for the employees for their end of services. The company pays employees in accordance with the Saudi labor law in the Kingdom of Saudi Arabia, which depends in its calculation on the number of years of service, salary and the reason for termination of service.

###### The valuation method and main assumptions of the actuarial study

Commitment to the requirements of International Accounting Standard No. (19) Employee benefits, end-of-service benefits obligations are calculated using the actuarial valuation using the projected unit credit method at the end of each financial year, and the profits or losses resulting from the actuarial revaluation are recorded in the comprehensive income statement for the period in which it is specified reevaluation. The re-measurement recognized in other comprehensive income is immediately included in retained earnings and is not included in profit or loss. Past service cost is calculated in profit or loss during the period of plan amendment. Interest is calculated using the discount rate at the beginning of the period on the defined employee benefit obligation.

The current service cost of a defined benefit plan is recognized in the profit or loss statement within the employee benefit 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 for the previous years is included directly in the statement of profit or loss.

Actuarial gains and losses resulting from adjustments and changes in actuarial assumptions in equity are charged and recognized in the statement of other comprehensive income in the period in which they occur.

The defined benefit costs are classified as follows:

Service cost (including current service costs and past service costs, in addition to profits and losses resulting from promotions and reimbursement to employees).

###### Short-term employee benefits

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

###### Costs of retirement benefits

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

#### 3.4. Zakat and tax

##### 3.4.1. Zakat

The company is subject to zakat in accordance with the regulations issued by the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia. A provision for zakat is made on an accrual basis, and this provision is charged to the statement of profit or loss and other comprehensive income. The zakat provision is calculated according to the zakat base or the adjusted net profit, whichever is higher, and any differences between the calculated zakat and the final assessment (if any) are recognized within the profit or loss in the year in which the assessment is finalized. Zakat is calculated based on 2.5% of the zakat base or adjusted net income, whichever is higher.





# NATIONAL GYPSUM COMPANY

## (A SAUDI JOINT STOCK COMPANY)

### Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

#### 3. Significant accounting policies...(Continued)

#### 3.4. Zakat and tax...(Continued)

##### 3.4.2. Value added tax (VAT)

Value Added Tax is a tax on the supply of goods and services that is ultimately borne by the final consumer. Therefore, the treatment of VAT in the company's accounts must reflect its role as a tax collector, and VAT should not be included in income or expenses. However there will be circumstances in which the company bears VAT, and in such cases where VAT is not refundable and must be included in the cost of the product or service.

##### 3.4.3. Withholding tax

The management withholds taxes on non-resident parties according to the Authority's regulations, which are not recognized as expenses because the amounts of the obligations on the counterparty are deducted on its behalf.

#### 3.5. Property and equipment

##### Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes costs of materials, direct labor and any other costs directly attributable to preparing the asset for its intended use and the costs of dismantling, removing, and reinstalling the asset on site.

When the useful lives of some items of property and equipment are different, they are accounted for as separate components (major components) of property and equipment. Profits or losses are determined upon disposal of any item of property and equipment by comparing the amount obtained from disposal with the book value of the asset and is recognized at net within other income in the statement of profits or losses.

##### Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits will flow to the company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

##### Depreciation

Depreciation is regular allocation of depreciable amount of property, plant and equipment (the cost of the asset less the residual value) over useful life.

Depreciation expense is recognized in the statement of profit or loss and other comprehensive income on a straight-line method over the estimated useful lives of each item of property, plant and equipment. Leased assets are depreciated on the lower of the lease period or the useful lives.

The estimated useful lives of items of property, plant and equipment are as follow:

<u>Item</u>	<u>Useful Life</u>	<u>Item</u>	<u>Useful Life</u>
Buildings	3% - 5%	Internal roads	10%
Water extensions	10%	Electricity extensions	7%
Transportation means	10% - 25%	Furniture and fixtures	10% - 20%
Major plant and equipment	Units of production method	Tools	10% - 25%
Additional plant and equipment	3% - 7%		

The Company reviews the methods of depreciation, useful lives and the residual values of property, plant and equipment at the end of each financial year and if there is a difference, it is treated as changes in the accounting estimates (in the year of change and subsequent years).



# NATIONAL GYPSUM COMPANY

## (A SAUDI JOINT STOCK COMPANY)

### Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

#### 3. Significant accounting policies...(Continued)

##### 3.6. Capital projects in progress

Assets under construction or development are capitalized within the capital projects in progress account. Assets under construction or development are transferred to the appropriate category within property, plant and equipment or investment properties (according to the nature of these businesses) when the assets are delivered to their location and/or condition necessary for their intended use by the management.

The cost of an item of capital projects in progress represents the construction/development cost and any other costs directly related to the costs of constructing or acquiring an item as intended by management.

Capital projects in progress are measured at cost less any recognized impairment. Capital projects in progress are not subject to depreciation. Depreciation begins only when the assets can be used as intended by management. It is then transferred to the appropriate asset class.

##### 3.7. Inventories

Inventories are shown at cost or net realizable value, whichever is lower, after deducting the provision for any obsolete or slow moving inventory. The company currently uses the weighted average method for Inventories cost valuation, (except for the complete production of gypsum during the annual physical count), which is permitted by the standard.

Costs represent all expenses incurred to bring each product to its present location and condition, and are calculated on the following basis:

- Raw materials, consumables and spare parts: Purchase cost on a weighted average basis.
- Production in progress and finished goods: direct material and labor cost plus overheads.

##### Spare parts

Spare parts are the interchangeable parts of property, plant and equipment that are necessary to support routine maintenance and overhaul of plant and equipment or its emergency use for repairs.

##### Strategic spare parts (within property, plant and equipment)

The company maintains strategic and reserve spare parts inventory for its plants. The management aims to maintain for periods more than one year. The management believes that all spare parts will be provided with future economic benefits from the future use of all property, plant and equipment. The management reviews spare parts that are in reserve equipment, which should be available as needed and depreciated with the estimated useful life of the associated asset.

##### 3.8. Investments in associates

Associates are those entities in which the company has significant influence, but not control, over the financial and operating policies. The company's investments in its associates are accounted for using the equity method of accounting from the date of such influence. In the event of non-temporary impairment of investments, the cost of investment is reduced and the impairment is recorded in the statement of profit or loss and other comprehensive income for the year.

When the company's losses exceed the investment values in the investee associate companies, the book value of investment is reduced to nil and no other losses are charged except for the existence of legal or guarantor obligations of the obligations of the investee.

##### 3.9. Investments in equity instruments held at fair value through other comprehensive income

Investments in equity instruments held at fair value through other comprehensive income represent investments in ordinary shares of entities that are not under the control of the Company and over which the Company's management has no significant influence.



# NATIONAL GYPSUM COMPANY

## (A SAUDI JOINT STOCK COMPANY)

### Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

#### 3. Significant accounting policies...(Continued)

##### 3.9. Investments in equity instruments held at fair value through other comprehensive income(Continued)

The investment is recognized when it is acquired at cost and is subsequently modified to reflect the changes in the fair value of the investment as on the date of the statement of financial position, the difference is recognized in other comprehensive income through the statement of profit or loss and other comprehensive income. The fair value is determined by reference to the market value if an active market exists. In the absence of an active market, the fair value is determined through other indicators. Otherwise, cost, less impairment losses, is considered fair value. Profits on investments are recognized when the right to obtain/ receive dividend payments within the income, unless the dividends clearly represent a recovery of part of the investment cost.

##### 3.10. Financial assets held at fair value through profit and loss

Financial assets held at fair value through profit or loss are represented by investments in financing funds managed by locally approved entities. The investment is recognized when it is acquired at cost and is subsequently modified to reflect the changes in the fair value of the investment as on the date of the statement of financial position, the difference is recognized in other comprehensive income through the statement of profit or loss and other comprehensive income. The fair value is determined by reference to the market value if an active market exists. In the absence of an active market, the fair value is determined through other indicators. Otherwise, cost, less impairment losses, is considered fair value. Profits on investments are recognized when the right to obtain/ receive dividend payments within the income, unless the dividends clearly represent a recovery of part of the investment cost.

##### 3.11. Related parties

Transactions with related parties comprise : transfer of resources, services, obligations or financing between the company and the related party, regardless of whether such transactions are carried out on terms that are similar to those prevailing in an arm length basis or not.

A person related to the company is deemed to be a kin of that person's family:

- One of the senior management personnel in the company
- Has a joint influence or control over the company
- Has an important impact on the decisions and trends of the company
- Senior management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the company, directly or indirectly, including any manager, whether executive or otherwise.

An entity is considered to be related to the company if:

- The entity and the company are members of the same group or owned by joint owners
- The entity is an associate or owned to the company
- The fact that the entity is controlled by the company, or vice versa, or the entity and the company are subject to joint control.

##### 3.12. Right-of-use assets and obligations of leases

###### A) right-of-use assets

The lease is recognized as a right-of-use asset with its corresponding obligations on the date on which the leased asset becomes ready for use by the company. Each payment of the lease is allocated between the obligations and the cost of financing. The cost of financing is recognized in the statement of profits or losses over the term of the lease.

Right-of-use assets are depreciated over shorter the useful life of the asset and the term of the lease, on a straight-line basis. Depreciation begins on the lease commencement date.



# NATIONAL GYPSUM COMPANY

## (A SAUDI JOINT STOCK COMPANY)

### Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

#### 3. Significant accounting policies...(Continued)

##### 3.12. Right-of-use assets and obligations of leases...(Continued)

Right-to-use assets are initially measured at cost and consist of the followings:

- The initial measurement amount for the lease obligation,
- Any lease payments made on or before the lease commencement date less any lease incentives received,
- Any initial direct costs, and
- Costs of recovery, where applicable.

It is subsequently measured at cost less accumulated depreciation and accumulated impairment losses

Right-of-use assets are presented in a separate line item in the statement of financial position.

#### B) Obligations of leases

On the commencement date of the lease, the company records the rental obligations measured at the present value of lease payments made over the term of the lease. Rent payments include fixed payments (including fixed payments in substance) less any receivable rental incentives, variable rental payments that are index or rate based, and amounts expected to be paid under residual value guarantees. Lease payments include the price of exercising a purchase option when there is reasonable certainty that the company will exercise this right in addition to the lease termination fines payments in the event that the terms of the lease stipulate that the company exercises the option to cancel. Regarding, variable rent payments that are not dependent on an indication or rate, are recorded as an expense in the period in which the payment is made. Lease payments are deducted using the interest rate included in the lease agreement or the company's incremental borrowing rate. The rental obligation is presented in a separate line item in the statement of financial position.

#### C) Short-term leases and impaired assets

Short-term leases are contracts with a lease term of 12 months or less. Impaired assets are items that do not meet the company's capitalization limits and are not material to the company's statement of financial position as a whole. Payments for short-term leases and leases with impaired assets are recognized on a straight line basis in the statement of profits or losses.

#### D) Variable lease payments

Certain leases include variable payments related to the use / performance of the leased asset. These assets are recognized in the statement of profits or losses

##### 3.13. Financial instruments

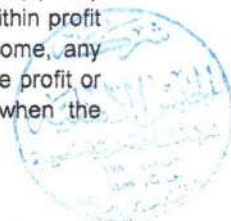
The company has applied the classification and measurement requirements for financial instruments.

#### Recognition of financial assets

The financial asset and liability are recognized when the company becomes a party to the contractual obligations of the instrument, and this is generally done at the trading date. The company derecognizes financial assets when the contractual cash flows of those assets expire or when the company transfers the right to obtain contractual cash flows from the financial asset in a transaction in which all the risks and rewards of ownership of the financial assets are transferred substantially. Any interest resulting from the transferred financial assets that the company creates or maintains are recognized as separate assets or liabilities.

#### De-recognition

Upon disposal of a financial asset, the difference between the carrying amount and the total of (1) the consideration amount received (including any newly acquired asset after deducting any newly assumed liabilities) (2) any accumulated profits or losses recognized in the statement of other comprehensive income, is recognized within profit or loss. However, with respect to equity shares classified as fair value through other comprehensive income, any accumulated profit / loss recognized in the statement of other comprehensive income is de-recognized in the profit or loss when de-recognized. A financial liability is derecognized from the statement of financial position when the Company has discharged its obligation or the contract has been canceled or expired.



# NATIONAL GYPSUM COMPANY

(A SAUDI JOINT STOCK COMPANY)

## Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

### 3. Significant accounting policies... (Continued)

#### 3.13. Financial instruments... (Continued)

##### Classification of financial instruments

Assets that are measured at amortized cost, or

The fair value through profit or loss, or

Fair value through other comprehensive income - investment in equity instruments.

The classification is based on the Company's business model for managing financial instruments and the contractual terms of cash flows for financial assets

Financial assets are not reclassified subsequent to the initial measurement unless the company changes the business model for managing financial assets in this case, all financial assets that will be affected by that are reclassified on the first day of the first financial period following the change in the business model.

Financial assets are measured at amortized cost if the following two conditions are met, and they are not recognized as financial assets at fair value through profit or loss:

It is maintained through a business model that aims to hold assets to collect contractual cash flows, or

The contractual terms lead to entering into specific dates for cash flows, which represent the principal amount and the interest of the outstanding principal amount.

Upon initial measurement of investments in financial instruments that are not held by the Company for the purpose of trading, the Company can choose to display any subsequent changes in the fair value of these investments in the statement of other comprehensive income. This selection is made on a per-investment basis.

Any other financial assets that are not classified and measured at amortized cost or fair value through other comprehensive income as indicated above are measured at fair value through profit or loss.

##### - Financial assets - subsequent measurement - profit or loss / accounting policy:

Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses (see below). Interest income, foreign exchange gains and losses and impairment in value are recognized in profit or loss. Any gain or loss is recognized in profit or loss.
Equity instruments at FVOCI (Equity instruments investments)	Subsequent measurement of these assets is carried at fair value. Dividends are recognized as revenues in the statement of profit or loss, unless these dividends represent recoverable amounts for part of the investment cost.  Any other profits or losses are recognized in the statement of other comprehensive income and shall not be reclassified to the statement of profit or loss.
Financial assets at FVTPL	All assets are classified as measured at fair value through the statement of profit or loss, such as shares held for trading, which are not classified on the basis of fair value through other comprehensive income. Subsequent measurement of these assets is carried at fair value. Net profits or losses, including any benefits or dividends are recognized in the statement of profits or loss.

##### Financial liabilities

Financial liabilities are classified according to the contractual arrangements, which also include creditors, the amounts payable and loans. All financial obligations are initially measured at fair value, after the initial recognition, the direct transaction costs are recorded at amortized cost using the effective commission rate over the life of the instrument and are recognized in the statement of profit or loss and other comprehensive income. Loans are classified under current liabilities unless the Company has an unconditional right to defer payment for a period of at least 12 months after the statement of financial position date.



# NATIONAL GYPSUM COMPANY

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## Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

### 3. Significant accounting policies... (Continued)

#### 3.13. Financial instruments... (Continued)

##### Offsetting of financial instruments

Offsetting between financial assets and liabilities and the net amounts determined in the financial statements takes place when there is a legally enforceable right to set off those included amounts, as well as when the Group has an intention to settle them on a net basis or sell the assets to pay the liabilities simultaneously.

##### Impairment

##### Impairment of financial assets

IFRS 9 states that, the entity is required to follow an Expected Credit Loss ("ECL") model for the impairment of financial assets. For account receivables, the company applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of receivables. Expected loss rates were derived from the historical information of the company and are adjusted to reflect the expected future outcome.

#### 3.14. Impairment of non-financial assets

At each reporting date, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to the recoverable amount. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

The losses arising from impairment are recognized in the consolidated statement of profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An assessment is conducted at each reporting date to determine whether there is an evidence of impairment loss previously recorded or curtailed. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of consolidated profit or loss.

Non-financial assets other than goodwill, if any, that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### 3.15. Provisions

A provision is recognized if the Company has a present (legal or constructive) obligations arising from previous events and it is probable that an outflow of economic benefit will be required to settle the obligations, and can be measured reliably. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to this liability.

#### 3.16. Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at banks, and other short-term, highly liquid investments with maturities of three months or less from the date of the original investment and which are available to the company without restrictions. The statement of cash flows is prepared according to the indirect method.



# NATIONAL GYPSUM COMPANY

(A SAUDI JOINT STOCK COMPANY)

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## Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

### 3. Significant accounting policies... (Continued)

#### 3.17. Accounts payable and accruals

Trade payables are recognized for amounts payable in the future for goods and services received, whether or not billed by suppliers.

#### 3.18. Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when: it is

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

All other liabilities are classified as non-current.

#### 3.19. Expenses

Production costs of direct and indirect expenses related to production are classified as cost of sales. All other expenses are classified as general and administrative or selling and distribution expenses.

#### 3.20. Borrowing costs

Borrowing costs directly attributable to production of qualifying assets, which is required a period of time to be ready for required usage when all necessary activities are completed that related to preparation of the qualified asset for its intended use. All other borrowing costs are recognized as an expense and charged to the statement of profits or losses and other comprehensive income in the period in which they are incurred (IAS 23). The Company does not have any such costs to be capitalized in the current year.

#### 3.21. Segment information

The company's main business is the manufacture and production of gypsum inside the Kingdom of Saudi Arabia, therefore it provides reports on the operating segments in different geographical areas within the Kingdom of Saudi Arabia.

#### 3.22. Earnings per share

Basic earnings per share and diluted earnings per share (if any) are presented for ordinary shares, where basic earnings per share is calculated by dividing the profit or loss of the ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year, adjusted for the number of ordinary shares repurchased or issued during the period. Diluted earnings per share is calculated by adjusting the profit or loss of the ordinary shareholders of the company and the weighted average number of shares outstanding during the period for the effects of all the diluted ordinary shares that are likely to be issued.



# NATIONAL GYPSUM COMPANY

(A SAUDI JOINT STOCK COMPANY)

## Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

### 3. Significant accounting policies... (Continued)

#### 3.23. Dividends

Final dividends are recorded in the financial statements in the period in which these dividends are approved by the general assembly of shareholders.

### 4. Changes in significant accounting policies

#### New standards, interpretations and amendments applied by the company

The accounting policies adopted by the company in preparing the financial statements are consistent with those followed in preparing the financial statements for the year ended 31 December 2021, and there are no new standards that were issued, however, there are a number of amendments to the standards which are effective as of 1 January 2021, Which did not have a material impact on the financial statements,

Effective as of	Amendments to Standards
1 January 2021	Amendments to IFRS 9, IAS 39 and IFRS 16 and IFRS 4 - .Phase II (Interest Rate Correction)

#### Standards issued and not yet effective

Standards and amendments issued but not yet effective up to the date of issuance of the financial statements are listed below, The company does not expect a material impact on the financial statements if the below standards and amendments are applied,

Effective for annual periods Starting from or after	New standards or amendments
1 January 2022	Onerous contracts - Cost of contract completion (Amendments to IAS37)
	Annual changes to IFRS standards
	Property, plant and equipment: Proceeds before Intended Use (Amendments to IAS 16)
	Reference to the conceptual framework (amendment to IFRS 3)
1 January 2023	Amendments to IAS 1 "Presentation of Financial Statements" on the classification of liabilities
	IFRS 17 - Insurance contracts and amendment to IFRS 17 - Insurance contracts
Available for optional adoption / effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

### 5. Property, plant and equipment - net

	<u>As at December 31,</u> <u>2021</u>	<u>As at December 31,</u> <u>2020</u>
Property, plant and equipment (note 5.1)	206,472,140	212,139,117
Add:		
Strategic spare parts (note 5.2)	16,471,431	17,607,558
Capital projects in process (note 5.3)	42,722,949	42,613,826
	<u>265,666,520</u>	<u>272,360,501</u>





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Notes to the financial statements for the year ended December 31, 2021  
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5. Property, plant and equipment – net...(Continued)

Cost	<u>Lands</u>	<u>Buildings</u>	<u>Roads</u>	<u>Plant and equipment</u>	<u>Water extensions</u>	<u>Electricity extensions</u>	<u>Transportation</u>	<u>Tools</u>	<u>Furniture and fixtures</u>	<u>Total</u>
At the beginning of the year	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
Reclassification	(1,447,717)	32,540	1,447,717	(32,540)	-	-	-	-	-	-
Additions during the year	-	202,700	535,799	633,443	307,160	-	385,000	15,926	327,359	2,407,387
Disposals during the year	-	-	-	-	-	-	-	-	(1,320)	(1,320)
At the end of the year	<u>22,250,326</u>	<u>125,089,097</u>	<u>14,141,134</u>	<u>488,870,218</u>	<u>3,017,905</u>	<u>8,317,471</u>	<u>13,945,442</u>	<u>1,377,296</u>	<u>10,513,185</u>	<u>687,522,074</u>
<b>Depreciation:</b>										
At the beginning of the year	-	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
Reclassification	-	181,792	-	(181,792)	-	-	-	-	-	-
Charged during the year	-	3,112,235	761,829	3,463,683	20,693	177,370	232,707	7,485	297,629	8,073,631
Disposals during the year	-	-	-	-	-	-	-	-	(587)	(587)
At the end of the year	<u>-</u>	<u>104,833,596</u>	<u>7,312,603</u>	<u>335,688,721</u>	<u>2,548,735</u>	<u>7,272,167</u>	<u>13,098,855</u>	<u>1,349,641</u>	<u>8,945,616</u>	<u>481,049,934</u>
<b>Net book value:</b>										
On December 31, 2021	<u>22,250,326</u>	<u>20,255,501</u>	<u>6,828,531</u>	<u>153,181,497</u>	<u>469,170</u>	<u>1,045,304</u>	<u>846,587</u>	<u>27,655</u>	<u>1,567,569</u>	<u>206,472,140</u>
On December 31, 2020	<u>23,698,043</u>	<u>23,314,288</u>	<u>5,606,844</u>	<u>155,862,485</u>	<u>182,703</u>	<u>1,222,674</u>	<u>694,294</u>	<u>19,214</u>	<u>1,538,572</u>	<u>212,139,117</u>

- The land on which one of the company's factories was established in Yanbu is leased from the Royal Commission for Jubail and Yanbu (Ministry of Energy) for a period of 10 years starting from 2020, the annual rent is amounting to SR. 287,888.
- The other buildings are built on land owned by the company.



# NATIONAL GYPSUM COMPANY

## (A SAUDI JOINT STOCK COMPANY)

### Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

#### 5. Property, plant and equipment – net...(Continued)

##### 5.2. Strategic spare parts - net

	<u>As at December 31,</u> <u>2021</u>	<u>As at December 31,</u> <u>2020</u>
At the beginning of the year	17,607,558	18,202,267
Disposals during the year	(396,519)	(594,709)
<b>At the end of the year</b>	<b>17,211,039</b>	<b>17,607,558</b>
<b>Accumulated Depreciation</b>		
At the beginning of the year	-	-
Charged during the year	739,608	-
<b>At the end of the year</b>	<b>739,608</b>	<b>-</b>
<b>Net book value</b>	<b>16,471,431</b>	<b>17,607,558</b>

##### 5.3. Capital projects in progress

The capital projects in progress represent in the amount spent on the installation and operation of the Alpha and Beta Factory in Dammam. 85% of the installation work in the factory has been completed, and the month of March 2020 has been set for trial operation with continuing of the rest of the installations for important devices, but due to the global situation of the Corona pandemic, and the suspension of most activities, the rest of the factory's work has been postponed until 2022.

The carrying value of property, plant and equipment is reviewed to ensure that there is no impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If such evidence exists and the carrying amount exceeds the recoverable amount, the value of property, plant and equipment is decreased to the recoverable amount, which is the greater of the fair value of the asset less the selling costs or the present value of the cash flows estimated future benefits for those assets.

Repair and maintenance expenses are charged to the statement of profit or loss and other comprehensive income. Improvements that materially extend the value or estimated life of the asset are capitalized.

- The residual values or useful lives and method of depreciation are reviewed at the end of each financial year, and the effect of changes in estimate is calculated on a future basis.

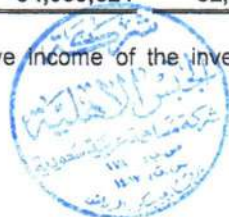
Strategic spare parts within property, plant and equipment are recognized at cost.

#### 6. Investments in associates

The investments in an associate company represent in the investment in the Qatar Gypsum Company as follows:

	<u>Main business</u> <u>sector</u>	<u>Country of</u> <u>incorporation</u>	<u>Shareholding</u> <u>%</u>	<u>As at</u> <u>December 31,</u> <u>2021</u>	<u>As at</u> <u>December 31,</u> <u>2020</u>
	Basic materials	Qatar	33.24%	32,554,664	33,578,377
Balance at beginning of the year					
Company's share of the associate's net income				981,469	440,155
Dividend				(996,978)	-
Company's share of the associate's other comprehensive income*				1,496,469	(1,463,868)
<b>Balance at end of the year</b>				<b>34,035,624</b>	<b>32,554,664</b>

\* The balance of the reserve for revaluation of investments through other comprehensive income of the investee companies by the company is amounted to SR. 10,034,206



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### 6. Investments in associates...(Continued)

The following are the condensed financial statements of the associate company based on the audited financial statements:

<u>2021</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Total revenue</u>	<u>Net profit for the year</u>	<u>Total other comprehensive income</u>
Qatar Gypsum Company	105,224,050	3,256,222	3,695,451	2,941,166	7,425,640
<u>2020</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Total revenue</u>	<u>Net profit for the year</u>	<u>Total other comprehensive income</u>
Qatar Gypsum Company	101,710,103	4,162,832	4,212,218	1,319,016	(3,067,763)

### 7. Investments in equity instruments at fair value through other comprehensive income

	<u>No. of shares as at</u>		<u>Balance as at</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Investments in stocks</u>				
Tabuk cement company (note 7.1)	77,142	77,142	1,346,900	1,314,500
Kayan Petrochemical Company (note 7.2)	500,000	1,000,000	8,510,000	14,300,000
Al Madinah Investments - Amman (note 7.3)	733,515	2,170,695	343,207	487,168
Saudi Arabian Oil Company (Aramco) (note 7.4)	300,000	300,000	10,740,000	10,500,000
Al Rajhi Bank (note 7.5)	37,574	135,074	5,327,993	9,941,446
Methanol Chemicals Company (note 7.6)	249,770	-	8,991,720	-
ACWA Power Company (note 7.7)	253	-	21,252	-
			<u>35,281,072</u>	<u>36,543,114</u>

7.1. Tabuk Cement Company (a Saudi joint stock company listed on the stock market) (Tadawul) in which the company owns 77,142 shares. The company has re-evaluated the balance of that investment at fair value according to the market price as on December 31, 2021, where the share price on that date was SAR 17,46 per share (On December 31, 2020, at SR. 17,04 per share).

7.2. Kayan Petrochemicals - is a Saudi joint stock company listed on the stock exchange (Tadawul) in which the company owns one million shares. During the year 2021, the company sold 500,000 shares for the amount of SR. 9,892,267 and achieved profits amounting to SR. 4,346,263. It was included in the statement of changes in shareholders' equity, bringing the number of the company's shares to 500,000 shares. The company has re-evaluated the balance of that investment at fair value according to the market price as at December 31, 2021, where the share price on that date was SR. 17,02 per share (on December 31, 2020 at SR. 14.3 per share).

7.3. Al-Madina Investment-/formerly Gulf Industrial Investment Company/Oman (an Omani joint stock company listed on the Omani stock market) (Tadawul) and the company owns 2,170,695 shares. During the year 2021, the company disposed 1,437,180 shares as a result of the capital decrease in the investee company, and incurred losses amounting to SR.2,927,007, which were included in the statement of changes in shareholders' equity, bringing the number of shares owned by the company to 733,515 shares and the company has re-evaluated the balance of that investment at fair value according to the market price is as at December 31, 2021, whereas the share price on that date amounted to SR. 0.468 per share (at December 31, 2020 SR . 0.224 per share).

7.4. Saudi Arabian Oil Company (Aramco) (a Saudi joint stock company listed on the stock market) (Tadawul) and the company owns 300,000 shares, and the company has re-evaluated the balance of that investment at fair value according to the market price as at December 31, 2021, whereas the share price at that date amounted to SR 35,8 per share (at December 31, 2020 SR 35 per share).



## NATIONAL GYPSUM COMPANY (A SAUDI JOINT STOCK COMPANY)

### Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

#### 7. Investments in equity instruments at fair value through other comprehensive income...(Continued)

7.5. Rajhi Bank (a Saudi joint stock company listed on the stock market) (Tadawul) and the company owns 135,074 shares. During the year 2021, the company sold 97,500 shares at an amount of SR. 10,424,268 and achieved profits amounting to SR. 4,672,743 included in the statement of changes in shareholders' equity, bringing the number of shares owned by the company 37,574 shares and the company re-evaluated the balance of that investment at fair value according to the market price as at December 31, 2021, whereas the share price at that date amounted to SR 141.8 per share (at December 31, 2020, SR 73.6 per share).

7.6. During the year of 2021, the company purchased 249,770 shares for an amount of SR. 9,176,333 in the Methanol Chemicals Company, a Saudi joint stock company listed on the stock exchange (Tadawul). The company has re-evaluated the balance of that investment at fair value according to the market price as on December 31, 2021, where the share price on that date was SR. 36 per share.

7.7. During the year of 2021, the company purchased 253 shares for an amount of SR. 14,167 in the ACWA Power Company, a Saudi joint stock company listed on the stock exchange (Tadawul). The company has re-evaluated the balance of that investment at fair value according to the market price as on December 31, 2021, where the share price on that date was SR. 84 per share.

Investments in equity classified as FVOCI are not held for trading, but instead, are held for medium to long-term strategic purposes. Accordingly, management has elected to classify these equity investments at fair value through Other comprehensive income because the recognition of short-term fluctuations in the fair value of these investments in net income will not be in line with the company's strategy of saving these investments for long-term purposes and achieving their potential performance in the long term.

The movement of investment during the year was as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Balance at the beginning of the year	36,543,114	23,295,692
Additions during the year	9,190,500	7,968,159
Net unrealized gain of fair value	9,863,993	5,279,263
Disposals during the year	(20,316,535)	-
<b>Balance at the end of the year</b>	<b>35,281,072</b>	<b>36,543,114</b>

The movement of fair value reserve for investments at fair value through other comprehensive income is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Balance at the beginning of the year	3,240,950	(2,038,313)
Net unrealized gain of fair value	9,863,993	5,279,263
Reclassification of net gains of sale and disposal of investments at fair value through other comprehensive income	(6,091,999)	-
<b>Balance at the end of the year</b>	<b>7,012,944</b>	<b>3,240,950</b>

#### 8. Financial assets held at fair value through profit or loss

The company invested an amount of SR. 10 million in an indirect financing fund closed with Riyadh Capital Company, amounting to SR. 1,000,000 units at SR. 10 / unit, and the term of the fund is five years, with return rate of 5% annually. The investment stated at cost because its fair value cannot be measured reliably.



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**9. Lease contracts**

	<u>December 31, 2021</u>	<u>December 31, 2020</u> <u>(Restated)</u>
<b>Right to use assets</b>		
Balance at the beginning of the year	8,067,633	-
Impact of the of the IFRS 16.	-	8,611,165
<b>Less: Depreciation for application the year</b>	<u>(543,532)</u>	<u>(543,532)</u>
<b>Right to Use Assets (Net)</b>	<u><b>7,524,101</b></u>	<u><b>8,067,633</b></u>
<b>Lease liabilities</b>		
The present value of the obligation at the beginning of the year	7,963,277	-
Impact of the of the IFRS 16.	-	8,611,165
Paid during the year	(647,888)	(647,888)
Paid in advance for year of 2022	(647,888)	-
Interest charged for the year	18,871	-
	<u><b>6,686,372</b></u>	<u><b>7,963,277</b></u>
Current portion - of lease obligations	-	629,017
Non-current portion - of lease obligations	<u>6,686,372</u>	<u>7,334,260</u>
<b>Balance at the end of the year</b>	<u><b>6,686,372</b></u>	<u><b>7,963,277</b></u>

**10. Inventories – Net**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Material	17,935,824	19,299,683
Complete production and under operation	2,698,283	3,082,989
Spare parts	2,209,199	2,284,922
fuel and other	3,587,488	4,854,053
Provision for slow moving inventory (note 10.1)	<u>(444,721)</u>	<u>(160,148)</u>
<b>Total</b>	<u><b>25,986,073</b></u>	<u><b>29,361,499</b></u>

**10.1. Movement in provision for slow moving inventories during the year:**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Balance at the beginning of the year	160,148	160,148
Provided during the year	<u>284,573</u>	<u>-</u>
<b>Balance at the end of the year</b>	<u><b>444,721</b></u>	<u><b>160,148</b></u>

**11. Trade receivables - net**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Trade receivables	30,515,897	18,481,522
Provision for expected credit losses (note 11.1)	<u>(748,833)</u>	<u>(748,833)</u>
<b>Trade receivables - net</b>	<u><b>29,767,064</b></u>	<u><b>17,732,689</b></u>



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**11. Trade receivables – net...(Continued)**

**11.1. Movement in provision for expected credit losses during the year:**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Balance at the beginning of the year	748,833	461,917
Provided during the year	-	286,916
<b>Balance at the end of the year</b>	<b>748,833</b>	<b>748,833</b>

**12. Prepaid expenses and other receivables**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Advance payments to suppliers and contractors	3,170,802	1,260,655
Prepaid expenses	572,942	1,452,164
Accrued revenue	1,052,567	945,901
Employees' receivables	735,054	610,870
Other receivables	-	54,001
Provision for expected credit losses (note 12.1)	(168,839)	-
<b>Total</b>	<b>5,362,526</b>	<b>4,323,591</b>

**12.1. Movement in the provision for expected credit losses during the year**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Balance at the beginning of the year	-	-
Provided during the year	168,839	-
<b>Balance at the end of the year</b>	<b>168,839</b>	<b>-</b>

**13. Cash and cash equivalents**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	94,521	168,502
Cash at banks	82,192,756	87,648,694
Cash at the investment portfolio	4,888,437	105,540
Checks under collection	800,000	4,600,000
	<b>87,975,714</b>	<b>92,522,736</b>

**14. Share Capital**

As at December 31, 2021, the company's capital is amounting to SR. 316,666,667 (December 31, 2020: SR. 316,666,667) authorized, subscribed and fully paid, divided into 31,666,667 shares (December 31, 2020: 31,666,667 shares), of SR. 10 each.

**15. Statutory Reserve**

In accordance with Companies Regulations in Saudi Arabia and the Company's By-Laws, the Company is required to transfer 10% of its net annual income to a statutory reserve. According to the By-Laws, the Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. As such condition is achieved, the Company decided to stop such transfers and this reserve is not available for distribution.



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## Notes to the financial statements for the year ended December 31, 2021

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### 16. Employees' defined benefits obligations

In application of International Accounting Standard No. 19, the company has appointed an independent actuarial evaluator (SIGNITY CONSULTING) to provide an actuarial valuation to measure the company's employee benefit obligations as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
The present value of the employee benefit obligation	3,148,331	3,670,425

The movement of employee benefit obligations during the financial year ended December 31 is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Balance at beginning of the year	3,670,425	3,245,890
Current service cost	424,188	1,420,040
Interest charged for the year	110,113	97,804
(Profits) / losses re-measurement of the obligation	(641,774)	143,287
Paid during the year	(414,621)	(1,236,596)
<b>Balance at the end of the year</b>	<b>3,148,331</b>	<b>3,670,425</b>

The following are the most significant actuarial assumptions used to calculate the present value of employee benefits:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate -0.5%	83,938	3,726,069
Discount rate +0.5%	(78,612)	3,615,998
Long-term salary increment -0.5%	(79,515)	3,633,617
Long-term salary increment +0.5%	84,120	3,707,712

Although the above analysis does not take into account the full distribution of expected cash flows, management believes that it provides a reasonable representation of the sensitivity assumptions shown.

The company pays the end of service to its employees in accordance with the provisions of the labor law in the Kingdom of Saudi Arabia. The entitlement to these benefits depends on the employee's final salary, length of service, and completion of a minimum service period. End of service is paid to the employee when the work stops.

### 17. Trade payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Suppliers	1,911,280	3,428,591
Advance payments from customers	1,329,760	291,538
<b>Total</b>	<b>3,241,040</b>	<b>3,720,129</b>

### 18. Accrued expenses and dividend payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accrued expenses	1,859,092	4,352,170
Remuneration of board members	1,800,000	2,250,000
Dividend payable	5,945,018	5,956,585
Deposits with third parties	-	246,100
Other payables balances	345,730	466,904
Value added tax (VAT) - payable	824,462	330,565
<b>Total</b>	<b>10,774,302</b>	<b>13,602,324</b>



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### 19. Zakat

#### 19.1. The Zakat calculation are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total items subject to zakat	462,624,880	449,972,118
Total items not subject to zakat	(352,507,317)	(338,166,634)
Zakat base	110,117,563	111,805,484
Zakat base for the year* (The base 354/365 days)	113,539,295	115,595,484
adjusted net profit	23,664,849	42,528,016
Adjusted Zakat Base	137,204,144	158,123,500
<b>Zakat payable at 2,5%</b>	<b>3,430,104</b>	<b>3,953,088</b>

- The zakat payable is calculated at 2.5% of the zakat base or from the adjusted net profit for the year, whichever is higher.
- Zakat was calculated in proportion to the number of days of the financial year according to the period of the financial statements attributable to the number of the lunar year 354 days after excluding the profits and losses of the year because it pertains to the period, based on Article Fourteen of the new Zakat levy Regulations issued by Ministerial Resolution No. (2216) dated 7/7/1440H.

#### 19.2. Movement of zakat Provision

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Balance at beginning of the year	3,953,088	3,602,492
<b>Less: Zakat paid during the year</b>	<b>(3,953,088)</b>	<b>(3,602,492)</b>
Zakat payable for the year	3,430,104	3,953,088
<b>Balance at the end of the year</b>	<b>3,430,104</b>	<b>3,953,088</b>

#### 19.3. Zakat status

- The company finalized its zakat status with the Zakat, Tax and Customs Authority (ZATCA) until the year 2013.
- The company submitted its zakat returns until the year 2020, and paid the zakat payable, and where the authority issued a re-assessment of zakat for the years from 2014 to 2018, in which the company demanded the payment of zakat differences amounting to SR. 211,129, and the company paid these differences.
- The company submitted its returns for the year 2020 and obtained Certificate No. 1110671795 dated 18/08/1442 H, valid until 29/09/1443 H (corresponding to April 30, 2022).
- The company has registered for value added tax (VAT) in the Kingdom of Saudi Arabia in line with the regulations of the Zakat, Tax and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia and has submitted all its returns on the statutory dates during the year of 2021.

### 20. Dividends

The Company's Ordinary General Assembly No. (56), held on May 5, 2021 corresponding to Ramadan 23, 1442 H, approved cash dividends with amount of SR. 19,000,000 at 60 Hal alas per share, equivalent 6% of the company's capital, A reward of SR. 2,250,000 was paid to the members of the board of directors, which was included in general and administrative expenses (note 23), provided that the priority is for the shareholders who own shares at the end of trading on the day of the general assembly meeting and who are registered in the company's shareholders register with the Securities Depository Center Company (Depository Center) at the end of the second trading day following the maturity date, provided that the dividend is distributed on May 23, 2021.





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### 21. Revenue

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Sales	91,872,905	113,946,966
Sales discount	(6,313,869)	(10,187,837)
	<u>85,559,036</u>	<u>103,759,129</u>

#### Revenue classification:

##### A- Classification by product:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Gypsum	90,326,939	108,646,872
Gypsum walls	1,545,966	5,300,094
	<u>91,872,905</u>	<u>113,946,966</u>

- The company has two main clients whose purchases amounted to 59% of the company's total sales.

### 22. Selling and distribution expenses

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Employee salaries and other benefits	2,652,549	2,310,619
Maintenance and repair	130,611	203,011
Depreciation	202,416	97,536
Others	651,569	1,666,109
Total	<u>3,637,145</u>	<u>4,277,275</u>

### 23. General and administrative expenses

	<u>December 31, 2021</u>	<u>December 31, 2020</u> (Restated)
Employee salaries and other benefits	3,340,763	3,001,045
Professional and legal fees	206,250	292,175
Remuneration of the board of directors and committees (note 28)	3,095,450	3,496,639
Depreciation	675,568	613,390
Expected credit losses	168,839	286,916
Maintenance and repair	190,482	82,233
Electricity and water	110,066	150,655
Fees and subscriptions	404,010	435,039
Others	297,663	331,659
	<u>8,489,091</u>	<u>8,689,751</u>

### 24. Earnings per share

Earnings per share was calculated based on net income for the year divided by the weighted average number of outstanding shares at the end of the year amounting to 31,666,667 ordinary shares (December 31, 2020: 31,666,667 shares).

### 25. Segment reporting

The company is managed as a single operating sector in the production of gypsum of all kinds. The company operates in the Kingdom of Saudi Arabia. The Company's activities detail are as follows:



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**26. Segment reporting...(Continued)**

As at <u>31/12/2020</u>	<u>Riyadh</u>		<u>Yanbu</u>		<u>Dammam</u>		<u>Total</u>		
	<u>Gypsum</u>	<u>Walls</u>	<u>Gypsum</u>	<u>Walls</u>	<u>Gypsum</u>	<u>Walls</u>	<u>Gypsum</u>	<u>Walls</u>	
Net sales	68,927,084	515,979	15,752,084	-	13,926,252	4,637,730	98,605,420	5,153,709	103,759,129
Gross profit / loss	40,601,685	(368,869)	7,561,860	(803,220)	3,592,701	(1,911,556)	51,756,246	(3,083,645)	48,672,601
Net profit / loss before Zakat	32,104,202	(990,119)	5,594,568	(906,762)	2,557,284	(2,636,349)	40,256,054	(4,533,230)	35,722,824
Net property, plant, equipment and equivalent	83,931,032	12,442,999	53,171,099	30,004,141	67,273,200	25,538,030	204,375,331	67,985,170	272,360,501
As at <u>31/12/2021</u>	<u>Riyadh</u>		<u>Yanbu</u>		<u>Dammam</u>		<u>Total</u>		
	<u>Gypsum</u>	<u>Walls</u>	<u>Gypsum</u>	<u>Walls</u>	<u>Gypsum</u>	<u>Walls</u>	<u>Gypsum</u>	<u>Walls</u>	
Net sales	59,712,288	697,086	9,645,460	-	14,681,156	823,046	84,038,904	1,520,132	85,559,036
Gross profit / loss	32,768,433	(289,526)	1,191,167	(360,055)	2,660,133	(1,728,811)	36,619,733	(2,378,392)	34,241,341
Net profit / loss before Zakat	25,730,610	(947,189)	533,504	(579,276)	1,344,807	(1,893,227)	27,608,921	(3,419,692)	24,189,229
Net property, plant, equipment and equivalent	82,878,103	11,314,789	52,042,889	28,875,929	66,144,989	24,409,821	201,065,981	64,600,539	265,666,520



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**26. Previous years adjustments**

During the year of 2021, the company made some retroactive adjustments in the current year. Therefore, the comparative figures for the year ending December 31, 2020 and prior that were adjusted as follows:

Incentive and discounts for some nb clients for previous years' sales, as well as the Board of Directors' remuneration for the year 2020 and 2019 have been recognized in the profit or loss statement and closing of other receivables balances related to customs duties.

The right to use assets for lease contracts for one of the company's factories and the company's quarries, which are leased from the Ministry of Energy, was also recognized.

	<u>As previously reported December 31, 2020</u>	<u>Adjustments</u>	<u>Reclassification</u>	<u>December 31, 2020 (Restated)</u>
<b><u>Statement of financial position:</u></b>				
<b>Non-current assets</b>				
Property, plant and equipment - net	274,644,986	-	(2,284,485)	272,360,501
Right to use assets	-	8,067,633	-	8,067,633
<b>Current assets</b>				
Trade receivables - net	25,963,776	(8,231,087)	-	17,732,689
Prepaid expenses and other receivable balances	6,173,575	(1,744,444)	(105,540)	4,323,591
Cash and cash equivalents	92,417,196	-	105,540	92,522,736
Inventory	27,115,775	-	2,245,724	29,361,499
<b>Non-current liabilities</b>				
Lease obligations - non-current portion	-	7,334,260	-	7,334,260
<b>Current liabilities</b>				
Accrued expenses and dividend payable	5,434,500	2,250,000	5,917,824	13,602,324
Dividend payable	5,956,585	-	(5,956,585)	-
Lease obligations - current portion	-	629,017	-	629,017
<b>Shareholders' equity</b>				
Retained earnings	48,081,886	(12,121,175)	-	35,960,711

	<u>As previously reported December 31, 2020</u>	<u>Adjustments</u>	<u>Reclassification</u>	<u>December 31, 2020 (Restated)</u>
<b><u>Statement of profit or loss and other comprehensive income:</u></b>				
Revenue - net	107,054,072	(3,294,943)	-	103,759,129
Cost of revenue	(55,249,566)	104,356	58,682	(55,086,528)
General and administrative expenses	(6,478,873)	(2,250,000)	39,122	(8,689,751)
Financing costs	-	-	(97,804)	(97,804)
Net profit for the year	37,210,323	(5,440,587)	-	31,769,736

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**26. Previous years adjustments...(Continued)**

<u>Statement of financial position:</u>	<u>As previously reported December 31, 2020</u>	<u>Adjustments</u>	<u>Reclassification</u>	<u>December 31, 2020 (Restated)</u>
<b>Non-current assets</b>				
Property, plant and equipment - net	277,688,216	-	(2,529,287)	275,158,929
<b>Current assets</b>				
Trade receivables - net	26,225,829	(4,936,144)	-	21,289,685
Prepaid expenses and other receivable balances	7,635,188	(1,744,444)	-	5,890,744
Inventory	31,645,650	-	2,529,287	34,174,937
<b>Current liabilities</b>				
Accrued expenses and dividend payable	3,075,581	1,800,000	5,970,153	10,845,734
Dividend payable	5,970,153	-	(5,970,153)	-
<b>Shareholders' equity</b>				
Retained earnings	23,754,896	(8,480,588)	-	15,274,308

**27. Contingent liabilities and capital commitments**

The company has bank guarantee letters issued to third parties as at December 31, 2021, amounting to SR. 1.7 million (December 31, 2020: SR. 1.7 million).

**28. Transactions with related parties**

Transactions with related parties mainly represent salaries, allowances and remunerations for senior executives' staff.

Senior management personnel are persons who have the power and authority to plan, direct and control the activities of the company, directly or indirectly, including members of the board of directors and shareholders (whether executive or otherwise).

The following is a statement of the total amounts that were included in the statement of profits or losses during the year:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Salaries and bonuses for senior management staff	854,450	787,639
Remuneration of members of the board of directors	1,800,000	2,250,000
Remuneration of committee members	150,000	150,000
Allowance for attending board meetings	150,000	165,000
Allowance for attending the company's committee sessions	141,000	144,000
Total	<u>3,095,450</u>	<u>3,496,639</u>

**29. 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.



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(All amounts in Saudi Riyals unless otherwise stated)

**29. Fair value of financial instruments...(Continued)**

The company's financial assets consist of cash and cash equivalents, trade and other receivables and investments in investment portfolios held for trading purposes, while the financial liabilities consist of term loans, trade payables, dividend payables and accrued expenses.

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

The table below shows the book values and fair values of financial assets and liabilities including their levels in the fair value hierarchy and does not include fair value information for financial assets and financial liabilities that are measured at fair value if the book value reasonably approximates the fair value:

<u>As at December 31, 2021</u>	<u>Book value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments at fair value through profit or loss	10,000,000	-	-	10,000,000
Investments in equity instruments at fair value through other comprehensive income	35,281,072	35,281,072	-	-
<b><u>As at December 31, 2020</u></b>				
Investments in equity instruments at fair value through other comprehensive income	36,543,114	36,543,114	-	-

**30. Financial risk management**

Financial risk is part of the Company's activities and is managed through a process of determining its nature, measurement and continuous monitoring, according to risk limits and other elements of control. The risk management process is critical to the Company's continuing operations. The Company's activities expose it to a variety of financial risks, which mainly include market risk, credit risk and liquidity risk.

**30.1. Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices. Market risk consists of commission rate risk, currency risk and other price risk.

**(A) Commission rate risk**

Commission rate risk is the fluctuation of the fair value or financial instrument due to changes in market commission rates. As on December 31, 2021, the company has bank facilities from a local bank to issue letters of guarantee and credit to suppliers. Therefore, the company is not exposed to these risks.

**(B) Currency risk**

Currency risk represents the risk resulting from the fluctuation in the value of financial instruments as a result of changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates during its normal business cycle. The company did not perform any significant transactions in currencies other than the Saudi Riyal and the US dollar during the year. Therefore, the company was not exposed to significant risks in other foreign currencies for the year ending on December 31, 2021, as the change in the exchange rate of the Saudi riyal against the US dollar does not represent a significant currency risk.



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## (A SAUDI JOINT STOCK COMPANY)

### Notes to the financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

#### 30. Financial risk management...(Continued)

##### 30.2. Credit risk

Credit risk is the risk related to the inability of one party, for a financial instrument, to meet its obligations, resulting in the other party incurring a financial loss. The Company is exposed to credit risk arising from its operating activities mainly from cash at banks and trade receivables (clients). The company deposits its funds in banks with high reliability and creditworthiness, The Company also has a policy regarding the amount of funds deposited in each bank, and the management does not expect the existence of significant credit risks resulting from this.

The management also does not expect the company to be exposed to significant credit risks from clients' accounts, since it has a wide base of clients that operate in different locations and in different activities, and it monitors the outstanding receivables periodically and the company has made the necessary provision for the expected credit loss.

Credit risk on the company on the following balances:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash and cash equivalents	87,975,714	92,522,736
Trade receivables net	29,767,064	17,732,689

##### 30.3. Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. The management works to ensure that sufficient funds are available to meet any obligations when they fall due.

The company's financial obligations consist of trade payables, accrued expenses, other payable balances and lease obligations. The company works to reduce liquidity risk by making sure that bank facilities are available when needed, knowing that the company has an abundance of cash at banks.

Company sales terms require payments to be made within 30 to 60 days of the sale date. Accounts payable is usually paid within 30 to 60 days of the purchase date.

All accounts payable and due amounts do not bear any financing expenses, and payment is expected within 12 months from the date of the company's financial statements.

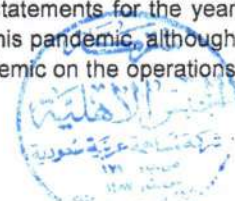
#### 31. Comparative figures

Certain figures for the comparison year have been reclassified to conform to the classification of the current year.

#### 32. Corona pandemic

At the beginning of the year 2020, the new Corona pandemic (Covid-19) spread, causing disruption to business and economic activities around the world, including the Kingdom of Saudi Arabia, and the Kingdom took many Precautionary measures to confront all the negative consequences of that pandemic. This required the company's management to reassess the main assumptions, estimates and sources applicable to the company's financial statements for the year ended December 31, 2021.

During the year, and with the discovery of vaccines for this pandemic and the retreat of the effects resulting from that pandemic, the management assessed all the effects on the operations and activities of the company, and based on this evaluation there was no need to make any substantial adjustments to the company's financial statements for the year ending on December 31, 2021. The company continues to closely monitor the developments of this pandemic, although the management at this time is not aware of expected factors that it may change the impact pandemic on the operations of the company during or after 2021.



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## Notes to the financial statements for the year ended December 31, 2021

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### 33. Subsequent events

The management believes that there are no significant subsequent events from the statement of financial position date on December 31, 2021 until the date of approving these financial statements that require adjustments or disclosures in the financial statements.

### 34. Approval of the financial statements

These financial statements were approved by the Board of Directors on Sha'aban 26, 1443 H (corresponding to March 29, 2022).

