NATIONAL GYPSUM COMPANY

(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2022

NATIONAL GYPSUM COMPANY
(A SAUDI JOINT STOCK COMPANY)

Financial statements for the year ended December 31, 2022

MOORE

El Sayed El Ayouty & Co.
Certified Public Accountants

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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

Qualified 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, 2022, 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 effects of the matters described in section of the basis for qualified opinion below, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, 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

1. 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 plant and equipment for the company's factories amounted to SR.67 million to produce gypsum walls, whereby net annual loss was incurred. The company's management has prepared a study of the recoverable value of projects in progress and plant related to the gypsum wall sector by a specialized local company, but it was not sufficient to determine whether there were any necessary adjustments to its book value. The management is currently negotiating with one of the specialized foreign companies in establishing and developing factories in establishing and developing factories in order to develop machines related to the gypsum wall sector. Accordingly, we were unable to determine, whether there is a need to recognize any impairment of these assets in the accompanying financial statements.

2. Referring to Note No. (11), trade receivables as at December 31, 2022 amounted to SR. 37 million. A provision is made for expected credit losses amounted to SR. 1.7 million. We have not been provided with an expected credit losses study. Therefore, we were unable to determine whether there were any necessary adjustments to the trade receivable balance were required.

We conducted our audit in accordance with International Standards on Auditing (ISAs) adopted in 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 International Code of Conduct and Ethics for Professional Accountants (including International Independence Standards), as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have also fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our qualified opinion.

INDEPENDENT AUDITOR'S REPORT... (Continued)

TO THE SHAREHOLDERS
NATIONAL GYPSUM COMPANY
(A SAUDI JOINT STOCK COMPANY)
RIYADH - SAUDI ARABIA
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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. The following describes each of the key audit matters and how they should be addressed:

The key audit matter	How our audit addressed the key audit matter
Investments in equity instruments at fair value through other comprehensive income:	
As at December 31, 2022, the company has investments in equity instruments in listed companies amounting to SR 31,364,650 (2021: SR 35,281,072), 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. 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. 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.	We performed the following procedures as part of our audit of investments in equity instruments through other comprehensive income: - Review the design and effectiveness of the internal control systems related to the evaluation of these investments for the company. - We considered fluctuations / changes in prices during the acquisition period to ensure whether the impairment met the criteria for impairment. - Verify ownership of the company's investments. - Evaluate the adequacy of the related disclosures.

Revenue recognition	
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. As stated in note No. (21), the company's revenues amounted to SR 54,737,007 for the financial year ended on December 31, 2022 (2021: SR 85,559,036).	We performed the following procedures among others matters with regard to revenue recognition: - 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. - Test the design of internal control procedures and operational effectiveness with regard to revenue recognition and receivables. - Testing a sample of the revenue and verifying the proper application of the revenue recognition policy. - Carrying out the cut-off procedures to ensure that revenue is recognized in the correct period. - Evaluating the completeness and adequacy of the disclosures related to the revenue item in the company's financial statements.

TO THE SHAREHOLDERS
NATIONAL GYPSUM COMPANY
(A SAUDI JOINT STOCK COMPANY)
RIYADH - SAUDI ARABIA
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Other information

Other information consists of other information from the information included in the Company's annual report for the year ended 31 December 2022, 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.

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, ie the audit committee, 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.

INDEPENDENT AUDITOR'S REPORT... (Continued)

TO THE SHAREHOLDERS
NATIONAL GYPSUM COMPANY
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RIYADH - SAUDI ARABIA
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

- 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.

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 & CO.

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

JEDDAH: March 30, 2023
Ramadan 08, 1444 H

NATIONAL GYPSUM COMPANY

(A SAUDI JOINT STOCK COMPANY)

Statement of financial position

(All amounts in Saudi Riyals unless otherwise stated)

		As at December 31,	
Assets	Notes	2022	2021
Non-current assets			
Property, plant and equipment- net	5	255,018,533	265,666,520
Investments in associates	6	34,214,671	34,035,624
Investments in equity instruments at fair value through other comprehensive income	7	31,364,650	35,281,072
Financial assets held at fair value through profit and loss	8	10,089,515	10,000,000
Right to use assets	9	6,980,569	7,524,101
Total non-current assets		**337,667,938**	**352,507,317**
Current assets			
Inventory - Net	10	27,853,033	25,986,073
Trade receivables – net	11	35,454,630	29,767,064
Prepaid expenses and other receivable balances	12	5,297,024	6,010,414
Cash and cash equivalents	13	49,849,442	87,975,714
Total current assets		**118,454,129**	**149,739,265**
Total assets		**456,122,067**	**502,246,582**
Shareholders' Equity and liabilities			
Shareholders' Equity			
Share capital	14	316,666,667	316,666,667
Statutory reserve	15	95,000,001	95,000,001
Evaluation reserve for investments at fair value through other comprehensive income		11,224,152	17,047,150
Gains on re-measurement of employee defined benefits		316,395	498,487
Retained earnings		8,720,423	45,106,240
Total shareholders' equity		**431,927,638**	**474,318,545**
Non-current liabilities			
Lease obligations - non-current portion	9	6,130,654	6,723,564
Employees' defined benefits obligations	16	3,588,133	3,148,331
Total non-Current liabilities		**9,718,787**	**9,871,895**
Current liabilities			
Trade payables	17	2,016,299	3,241,040
Accrued expenses and dividend payable	18	8,945,232	10,774,302
Lease obligations - current portion	9	592,909	610,696
Zakat provision	19	2,921,202	3,430,104
Total current liabilities		**14,475,642**	**18,056,142**
Total liabilities		**24,194,429**	**27,928,037**
Total shareholders' equity and liabilities		**456,122,067**	**502,246,582**

The financial statements appearing on pages (1) to (32) have been approved by the Board of Directors and signed on their behalf by:

Financial Manager	**Chief Executive Officer**	**Chairman of the Board of Directors**

The accompanying notes from (1) to (33) 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, 2022	2021
Net sales	21	54,737,007	85,559,036
Cost of sales		(47,010,650)	(51,317,695)
Gross profit		**7,726,357**	**34,241,341**
Selling and marketing expenses	22	(4,247,940)	(3,637,145)
General and administrative expenses	23	(9,219,214)	(8,489,091)
(Loss) / profit from operation		**(5,740,797)**	**22,115,105**
Company's share from results of investment in associate	6	2,520,552	981,469
Unrealized gains on investments at fair value through profit or loss		89,515	-
Dividends from investments in equity instruments at fair value	7 , 8	1,224,693	585,623
Financing costs		(122,511)	(128,984)
Other income, Net		613,908	636,016
Net (loss) / profit of the year before zakat		**(1,414,640)**	**24,189,229**
Zakat	19	(2,921,202)	(3,430,104)
Net (loss) / profit for the year		**(4,335,842)**	**20,759,125**
Other comprehensive income:			
Unrealized (losses) / gains in equity investments at fair value through other comprehensive income	7	(4,770,749)	9,863,993
The Company's share in the comprehensive income of associates	6	(1,435,557)	1,496,469
(Losses) / gains of re-measurement of employees' defined benefit obligations	16	(182,092)	641,774
Total comprehensive (loss) / income for the year		**(10,724,240)**	**32,761,361**
Basic and diluted (losses) / earnings per share for the year:	24		
Of the operating (loss) / profit		(0,18)	0,70
Of the net (loss) / profit		(0,13)	0,66
Weighted average number of shares		31,666,667	31,666,667

The financial statements appearing on pages (1) to (32) have been approved by the Board of Directors and signed on their behalf by:

Financial Manager	**Chief Executive Officer**	**Chairman of the Board of Directors**

شركة مساهمة سعودية

The accompanying notes from (1) to (33) form an integral part of these financial statements.

NATIONAL GYPSUM COMPANY
(A SAUDI JOINT STOCK COMPANY)

Statement of changes in shareholders' equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Reserve for revaluation of investments through OCI	Reserve for re-measurement of employee defined benefit obligation	Retained earnings	Total shareholders' equity
Balance as at January 01, 2021	**316,666,667**	**95,000,001**	**13,073,092**	**(143,287)**	**35,960,711**	**460,557,184**
Net profit for the year	-	-	-	-	20,759,125	20,759,125
Change in Other comprehensive income items	-	-	11,360,462	641,774	-	12,002,236
Total comprehensive income for the year	-	-	**11,360,462**	**641,774**	**20,759,125**	**32,761,361**
Dividends	-	-	-	-	(19,000,000)	(19,000,000)
Profits from sale of investments at fair value through other comprehensive income	-	-	(6,091,999)	-	6,091,999	-
Profits from sale of investments at fair value through other comprehensive income in associates	-	-	(1,294,405)	-	1,294,405	-
Balance as at December 31, 2021	**316,666,667**	**95,000,001**	**17,047,150**	**498,487**	**45,106,240**	**474,318,545**
Balance as at January 01, 2022	**316,666,667**	**95,000,001**	**17,047,150**	**498,487**	**45,106,240**	**474,318,545**
Net (loss) for the year	-	-	-	-	(4,335,842)	**(4,335,842)**
Change in OCI items for the year	-	-	(6,206,306)	(182,092)	-	**(6,388,398)**
Total comprehensive (loss) for the year	-	-	**(6,206,306)**	**(182,092)**	**(4,335,842)**	**(10,724,240)**
Dividends	-	-	-	-	(31,666,667)	(31,666,667)
Losses from the sale of investments at FVOCI	-	-	383,308	-	(383,308)	-
Balance as at December 31, 2022	**316,666,667**	**95,000,001**	**11,224,152**	**316,395**	**8,720,423**	**431,927,638**

The financial statements appearing on pages (1) to (32) have been approved by the Board of Directors and signed on their behalf by:

شركة الجبس الأهلية
شركة مساهمة سعودية
رقم السجل التجاري

Financial Manager	Chief Executive Officer	Chairman of the Board of Directors

The accompanying notes from (1) to (33) 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)

	For the year ended December 31	
	2022	2021
Cash flows from operating activities:		
Net (loss) / profit for the year before zakat	(1,414,640)	24,189,229
Adjustments for Net (loss) / profit :		
Depreciation of property, plant and equipment and spare parts	11,420,820	8,813,239
Depreciation of right to use	543,532	543,532
Financing cost	122,511	128,984
Employees' defined benefit obligations	449,999	424,188
Provisions made during the year	1,000,000	453,412
The company's share of results from investment in an associate	(2,520,552)	(981,469)
Losses on disposal of property, plant and equipment	-	733
Unrealized gains on investments at fair value through profit or loss	(89,515)	-
Changes in items of operating assets and liabilities:		
Inventories	(1,866,960)	3,090,853
Trade receivables	(6,687,566)	(12,034,375)
Prepaid expenses and other receivable balances	713,390	(1,855,662)
Trade payables	(1,224,741)	(479,089)
Accrued expenses and dividends payable	(1,829,070)	(2,828,022)
	(1,382,792)	**19,465,553**
Employees' defined benefit obligations - paid	(277,609)	(414,621)
Zakat paid	(3,430,104)	(3,953,088)
Net Cash flows (used in) / provided by operating activities	**(5,090,505)**	**15,097,844**
Cash flows from investing activities:		
Net payments to purchase property and equipment	(772,833)	(2,119,991)
Payments to purchase investments at fair value through profit or loss	-	(10,000,000)
Payments to purchase investments at fair value through other comprehensive income	(1,186,118)	(9,190,500)
Proceeds from the sale of investments at fair value through other comprehensive income	331,791	20,316,535
Dividends received from associates	905,948	996,978
Net cash flows (used in) / provided by investing activities	**(721,212)**	**3,022**
Cash flows from financing activities:		
Dividends	(31,666,667)	(19,000,000)
Lease obligations - paid portion	(647,888)	(647,888)
Cash flows (used in) financing activities	**(32,314,555)**	**(19,647,888)**
Net (Decrease in cash and cash equivalents	(38,126,272)	(4,547,022)
Cash and cash equivalents at the beginning of the year	87,975,714	92,522,736
Cash and cash equivalents at the end of the year	**49,849,442**	**87,975,714**
Non-cash transactions:		
Unrealized (losses)/gains on investments at fair value through other comprehensive income	(6,206,306)	11,360,462
(Losses) / gains from re-measurement of employee defined benefit obligations	(182,092)	641,774

The financial statements appearing on pages (1) to (32) have been approved by the Board of Directors and signed on their behalf by:

Financial Manager	**Chief Executive Officer**	**Chairman of the Board of Directors**

شركة مساهمة سعودية
رقم السجل التجاري

The accompanying notes from (1) to (33) form an integral part of these financial statements.

(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.

Company Branches:

The company has several branches registered as follows:

Branch	C.R. Date	C.R. No
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.

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.

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, 2022 and December 31, 2021, there are no transfers between levels.

Going concern

The company incurred a net loss during the year amounting to SR. 4.3 million, and the retained earnings decreased to the amount of SR. 8.7 million. The cash flows from operating activities appeared negative and amounted toSR. 5 million. Despite this, the company has no doubts about its ability to continue as a going concern and 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. Significant accounting policies...(Continued)

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:

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. Significant accounting policies...(Continued)

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.

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.

(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.

During the year, the management changed the depreciation policy for a number of plant and equipment for the wall sector from the units of production method to the straight-line method.

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

Item	Useful Life	Item	Useful Life
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 - Gypsum sector	Units of production method	Tools	10% - 25%
Major plant and equipment - Wall sector	2.5%	Additional plant and equipment	3% - 7%

3. Significant accounting policies...(Continued)

3.5. Property and equipment...(Continued)

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).

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. Significant accounting policies...(Continued)

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.

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.

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.

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.

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.

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.

(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. New standards, amendments to standards and interpretations

During 2022, the following amendments to the International Financial Reporting Standards became effective for the annual reporting period beginning on or after January 1, 2022.

Amendments to Standards	Description	Effective for years beginning on or after	Summary of the amendment
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 3	Reference to the Conceptual Framework	1 January 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.
IFRS 16	Annual Improvements to IFRS Standards 2018–2020	1 January 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements.
IFRS 1	Annual Improvements to IFRS Standards	1 January 2022	IFRS 1: The amendment provides additional relief for a subsidiary that, after the first application, becomes after the parent company with respect to the calculation of the accumulative currencies translation difference.
IAS 41	Annual Improvements to IFRS Standards	1 January 2022	IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude tax cash flows when measuring fair value.
IIFRS 9	Annual Improvements to IFRS Standards	1 January 2022	I IFRS 9: The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an asset is functioning properly'.

- The application of these amendments does not have any material impact on the financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

4. New standards, amendments to standards and interpretations... (Continued)

Issued standards but not applied

Some new standards and interpretations of accounting standards that are not mandatory have been published for the current reporting period and that the company did not early adopt. The Company is in the process of evaluating the impact of these new and amended standards that have not yet been applied in the current or future reporting periods and on expected future transactions.

5. Property, plant and equipment - net

	As at December 31, 2022	As at December 31, 2021
Property, plant and equipment (note 5.1)	196,506,028	206,472,140
Add:		
Strategic spare parts (note 5.2)	15,752,750	16,471,431
Capital projects in process (note 5.3)	42,759,755	42,722,949
	255,018,533	**265,666,520**

Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

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

	Lands	Buildings	Roads	Plant and equipment	Water extensions	Electricity extensions	Transportation	Tools	Furniture and fixtures	Total
Cost										
At the beginning of the year	22,250,326	125,089,097	14,141,134	488,870,218	3,017,905	8,317,471	13,945,442	1,377,296	10,513,185	687,522,074
Additions during the year	-	-	-	16,055	-	-	600,000	17,501	89,115	722,671
At the end of the year	22,250,326	125,089,097	14,141,134	488,886,273	3,017,905	8,317,471	14,545,442	1,394,797	10,602,300	688,244,745
Depreciation:										
At the beginning of the year	-	104,833,596	7,312,603	335,688,721	2,548,735	7,272,167	13,098,855	1,349,641	8,945,616	481,049,934
Charged during the year	-	2,870,215	992,660	6,015,866	51,241	163,902	270,520	7,806	316,573	10,688,783
At the end of the year	-	107,703,811	8,305,263	341,704,587	2,599,976	7,436,069	13,369,375	1,357,447	9,262,189	491,738,717
Net book value:										
On December 31, 2022	22,250,326	17,385,286	5,835,871	147,181,686	417,929	881,402	1,176,067	37,350	1,340,111	196,506,028
On December 31, 2021	22,250,326	20,255,501	6,828,531	153,181,497	469,170	1,045,304	846,587	27,655	1,567,569	206,472,140

- 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.

(All amounts in Saudi Riyals unless otherwise stated)

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

5.2. Strategic spare parts - net

	As at December 31, 2022	As at December 31, 2021
Cost		
At the beginning of the year	17,211,039	17,607,558
Additions / Disposals during the year	13,356	(396,519)
At the end of the year	**17,224,395**	**17,211,039**
Accumulated Depreciation		
At the beginning of the year	739,608	-
Charged during the year	732,037	739,608
At the end of the year	**1,471,645**	**739,608**
Net book value	**15,752,750**	**16,471,431**

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. During the year 2022, the company obtained a study to re-evaluate the factory and is currently reviewing this study submitted to it.

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 Qatari Saudi Gypsum Industries Company as follows:

	Main business sector	Country of incorporation	Shareholding %	As at December 31, 2022	As at December 31, 2021
	Basic materials	Qatar	33.37%		
Balance at beginning of the year				**34,035,624**	**32,554,664**
Company's share of the associate's net income				2,520,552	981,469
Dividend				(905,948)	(996,978)
Company's share of the associate's other comprehensive income*				(1,435,557)	1,496,469
Balance at end of the year				**34,214,671**	**34,035,624**

* The balance of the reserve for revaluation of investments through other comprehensive income of the investee companies by the company is amounted to SR. 8,598,650.

(All amounts in Saudi Riyals unless otherwise stated)

6. Investments in associates...(Continued)

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

2022	Assets	Liabilities	Total revenue	Net profit for the year	Total other comprehensive income
Qatari Saudi Gypsum Industries Company	106,152,213	3,508,198	6,594,687	7,903,826	3,542,348

2021	Assets	Liabilities	Total revenue	Net profit for the year	Total other comprehensive income
Qatari Saudi Gypsum Industries Company	105,224,050	3,256,222	3,695,451	2,941,166	7,425,640

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

	No. of shares as at		Balance as at	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Investments in stocks				
Tabuk cement company (note 7.1)	**77,142**	**77,142**	1,150,958	1,346,900
Kayan Petrochemical Company (note 7.2)	**500,000**	**500,000**	6,830,000	8,510,000
Al Madinah Investments - Amman (note 7.3)	-	**733,515**	-	343,207
Saudi Arabian Oil Company (Aramco) (note 7.4)	**330,000**	**300,000**	10,593,000	10,740,000
Al Rajhi Bank (note 7.5)	**60,118**	**37,574**	4,520,874	5,327,993
Methanol Chemicals Company (note 7.6)	**249,770**	**249,770**	6,319,181	8,991,720
ACWA Power Company (note 7.7)	**253**	**253**	38,456	21,252
Elm Company (note 7.8)	**4,771**	-	1,583,972	-
MARAFIQ (The Power and Utility company for Jubail a& Yanbu) (note 7.9)	**6,465**	-	303,209	-
National Building and Marketing Co. (note 7.10)	**100**	-	25,000	-
			31,364,650	**35,281,072**

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, 2022, where the share price on that date was SR. 14.92 per share (On December 31, 2021, 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, 2022, where the share price on that date was SR. 13.66 per share (on December 31, 2021 at SR. 14.3 per share).

7.3. Al Madina Investment / Oman - Formerly Gulf Industrial Investment Company (an Omani joint stock company listed in the Omani financial market) in which the company owns 733,515 shares. During the year 2022, the company sold all the shares, as the selling price amounted to SR. 331,791, and the company incurred losses amounting to SR. 383,308, which were included in the statement of changes in shareholders' equity, deducted from the retained earnings.

(All amounts in Saudi Riyals unless otherwise stated)

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

7.4. Saudi Arabian Oil Company (Aramco) (a Saudi joint stock company listed on the stock market) (Tadawul) and the company owns 330,000 shares, and the company has re-evaluated the balance of that investment at fair value according to the market price as at December 31, 2022, whereas the share price at that date amounted to SR 32.10 per share (at December 31, 2021 SR 35 per share). Cash dividends for the year amounted to SR 444,642.

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, The number of shares owned by the company reached 60,118 shares and the company re-evaluated the balance of that investment at fair value according to the market price as at December 31, 2022, whereas the share price at that date amounted to SR 75.20 per share (at December 31, 2021, SR 73.6 per share). Cash dividends for the year amounted to SR 246,901.

7.6. Methanol Chemicals Company, a Saudi joint stock company listed on the financial market (Tadawul), in which the company owns 249,770 shares, and the company has re-evaluated the balance of that investment at fair value according to the market price as of December 31, 2022, as the share price on that date amounted to SR. 25.30 per share (on December 31, 2021: SR. 36 per share).

7.7. ACWA Power Company, a Saudi joint stock company listed on the financial market (Tadawul), in which the company owns 253 shares. The company has re-evaluated the balance of that investment at fair value according to the market price as of December 31, 2022, as the share price on that date amounted to SR. 152 per share (in December 31, 2021: SR. 84 per share). Cash dividends during the year amounted to SR. 195.

7.8. During the year of 2022, the company purchased 4,711 shares for an amount of SR. 610,688 in the Elm 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, 2022, where the share price on that date was SR. 332 per share. Cash dividends during the year amounted to SR. 23,855.

7.9. During the year of 2022, the company purchased 6,465 shares for an amount of SR. 297,390 in the Power and Utility company for Jubail a& Yanbu, 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, 2022, where the share price on that date was SR. 46.90 per share.

7.10. During the year of 2022, the company purchased 100 shares for an amount of SR. 30,100 in the National Building and Marketing Co., a Saudi joint stock company listed on the stock exchange (Tadawul - Nomu). The company has re-evaluated the balance of that investment at fair value according to the market price as on December 31, 2022, where the share price on that date was SR. 250 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:

	December 31, 2022	December 31, 2021
Balance at the beginning of the year	35,281,072	36,543,114
Additions during the year	1,186,118	9,190,500
Net unrealized (losses) / gains of fair value	(4,770,749)	9,863,993
Disposals during the year	(331,791)	(20,316,535)
Balance at the end of the year	**31,364,650**	**35,281,072**

(All amounts in Saudi Riyals unless otherwise stated)

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

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

	December 31, 2022	December 31, 2021
Balance at the beginning of the year	7,012,944	3,240,950
Net unrealized (losses) / gains of fair value	(4,770,749)	9,863,993
Reclassification of net (losses) / gains of sale and disposal of investments at fair value through other comprehensive income	383,308	(6,091,999)
Balance at the end of the year	**2,625,503**	**7,012,944**

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 with an annual return of 5% of the investment amount. The term of the fund is five years. The fair value of the investment as of December 31, 2022 amounted to SR. 10,089,515. Cash dividends during the year amounted to SR 509,100.

9. Lease

	December 31, 2022	December 31, 2021
Balance at the beginning of the year	7,524,101	8,067,633
Less: Depreciation of right to use assets	(543,532)	(543,532)
Right to Use Assets (Net)	**6,980,569**	**7,524,101**
Lease liabilities		
The present value of the obligation at the beginning of the year	7,334,260	7,963,277
Paid during the year	(647,888)	(647,888)
Interest charged for the year	37,191	18,871
	6,723,563	**7,334,260**
Current portion - of lease obligations	592,909	610,696
Non-current portion - of lease obligations	6,130,654	6,723,564
Balance at the end of the year	**6,723,563**	**7,334,260**

10. Inventories – Net

	December 31, 2022	December 31, 2021
Material	19,810,533	17,935,824
Finished production and production in progress	2,140,924	2,698,283
Spare parts	2,320,335	2,209,199
fuel and other	4,025,962	3,587,488
Provision for slow moving inventory (note 10.1)	(444,721)	(444,721)
Total	**27,853,033**	**25,986,073**

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

	December 31, 2022	December 31, 2021
Balance at the beginning of the year	444,721	160,148
Provided during the year	-	284,573
Balance at the end of the year	**444,721**	**444,721**

(All amounts in Saudi Riyals unless otherwise stated)

11. Trade receivables - net

	December 31, 2022	December 31, 2021
Trade receivables	37,203,463	30,515,897
Provision for expected credit losses (note 11.1)	(1,748,833)	(748,833)
Trade receivables - net	**35,454,630**	**29,767,064**

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

	December 31, 2022	December 31, 2021
Balance at the beginning of the year	748,833	748,833
Provided during the year	1,000,000	-
Balance at the end of the year	**1,748,833**	**748,833**

12. Prepaid expenses and other receivables

	December 31, 2022	December 31, 2021
Advance payments to suppliers and contractors	1,812,687	3,170,802
Prepaid expenses	1,212,847	1,220,830
Accrued revenue	1,499,910	1,052,567
Employees' receivables	836,337	735,054
Other receivables	104,082	-
Provision for expected credit losses (note 12.1)	(168,839)	(168,839)
Total	**5,297,024**	**6,010,414**

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

	December 31, 2022	December 31, 2021
Balance at the beginning of the year	168,839	-
Provided during the year	-	168,839
Balance at the end of the year	**168,839**	**168,839**

13. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	110,048	94,521
Cash at banks	44,801,671	82,192,756
Cash at the investment portfolio	4,537,723	4,888,437
Checks under collection	400,000	800,000
Total	**49,849,442**	**87,975,714**

14. Share Capital

As at December 31, 2022, the company's capital is amounting to SR. 316,666,667 (December 31, 2021: SR. 316,666,667) authorized, subscribed and fully paid, divided into 31,666,667 shares (December 31, 2021: 31,666,667 shares), of SR. 10 each.

(All amounts in Saudi Riyals unless otherwise stated)

15. Statutory Reserve

In accordance with Companies' Act in Saudi Arabia and the Company's Article of Association, the Company is required to transfer 10% of its net annual income to a statutory reserve until this reserve reaches 30% of the share capital. This statutory reserve is not available for distribution to shareholders. No amounts have been transferred to the statutory reserve in the presented statements due to the reserve reaching the required statutory percentage.

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:

	December 31, 2022	December 31, 2021
The present value of the employee benefit obligation	**3,588,133**	**3,148,331**

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

	December 31, 2022	December 31, 2021
Balance at beginning of the year	3,148,331	3,670,425
Current service cost	449,999	424,188
Interest charged for the year	85,320	110,113
Losses / (gains) of re-measurement of the obligation	182,092	(641,774)
Paid during the year	(277,609)	(414,621)
Balance at the end of the year	**3,588,133**	**3,148,331**

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

	December 31, 2022	December 31, 2021
Discount rate	4.50%	2.71%
Salary increase rate	2%	2%
Mortality rate	AM – 92	AM – 92
Employee turnover rates	10%	10%

The impact of the defined benefit obligation value was presented on one of the actuarial assumptions, which has a reasonable rate of change, with all other variable elements fixed as follows:

	December 31, 2022	December 31, 2021
Discount rate -0.5%	83,479	83,938
Discount rate +0.5%	(78,672)	(78,612)
Long-term salary increment -0.5%	(80,930)	(79,515)
Long-term salary increment +0.5%	85,155	84,120

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.

(All amounts in Saudi Riyals unless otherwise stated)

17. Trade payables

	December 31, 2022	December 31, 2021
Suppliers	1,666,457	1,911,280
Advance payments from customers	349,842	1,329,760
Total	**2,016,299**	**3,241,040**

18. Accrued expenses and dividend payables

	December 31, 2022	December 31, 2021
Accrued expenses	663,735	1,859,092
Remuneration of board members	1,800,000	1,800,000
Dividend payable	5,932,094	5,945,018
Other payables balances	387,595	345,730
Value added tax (VAT) payable (net)	161,808	824,462
Total	**8,945,232**	**10,774,302**

19. Zakat

19.1. The Zakat calculation are as follows:

	December 31, 2022	December 31, 2021
Total items subject to zakat	451,750,386	462,624,880
Total items not subject to zakat	(337,667,938)	(352,507,317)
Zakat base	**114,082,448**	**110,117,563**
Zakat base for the year* (The base 354/365 days)	117,627,383	113,539,295
adjusted net (loss) / profit	(779,285)	23,664,849
Adjusted Zakat Base	**116,848,098**	**137,204,144**
Zakat payable at 2,5%	**2,921,202**	**3,430,104**

- 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 07/07/1440 H.

19.2. Movement of zakat Provision

	December 31, 2022	December 31, 2021
Balance at beginning of the year	3,430,104	3,953,088
Less: Zakat paid during the year	(3,430,104)	(3,953,088)
Provided for the year	2,921,202	3,430,104
Balance at the end of the year	2,921,202	**3,430,104**

(All amounts in Saudi Riyals unless otherwise stated)

19. Zakat...(Continued)

19.3. Zakat status

- The company finalized its zakat status with the Zakat, Tax and Customs Authority (ZATCA) until the year 2018.
- The company submitted its zakat returns until the year 2021, and obtained Certificate No. 1110184974 on 09/09/1443 H, valid until 10/10/1444 H (corresponding to April 30, 2023).
- 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 2022.

20. Dividends

The Company's Ordinary General Assembly No. (57), held on May 26, 2022, corresponding to Shawwal 25, 1443 H, approved the distribution of cash dividends amounting to SR. 31,666,667, at one riyal per share, equivalent 10% of the company's capital, A reward of SR. 1,800,000 was paid to the members of the board of directors, which was included in general and administrative expenses (note 23), provided that the eligibility is for the shareholders who own shares at the end of trading on the day of the General Assembly convening and who are registered in the company's shareholder register with the Securities Depository Center Company (Depository Center) at the end of the second trading day following the due date, provided that Dividend distribution on June 09, 2022.

21. Net sales

	December 31, 2022	December 31, 2021
Sales	55,805,897	91,872,905
Sales discount	(1,068,890)	(6,313,869)
	54,737,007	**85,559,036**

Revenue classification:

A- Classification by product:

	December 31, 2022	December 31, 2021
Gypsum	54,970,365	90,326,939
Gypsum walls	835,532	1,545,966
	55,805,897	**91,872,905**

- The company has two main clients whose purchases amounted to 56% of the company's total sales.

22. Selling and distribution expenses

	December 31, 2022	December 31, 2021
Employee salaries and other benefits	3,052,151	2,652,549
Advertising	311,275	65,760
Maintenance and repair	155,821	130,611
Depreciation	161,112	202,416
Others	567,581	585,809
Total	**4,247,940**	**3,637,145**

(All amounts in Saudi Riyals unless otherwise stated)

23. General and administrative expenses

	December 31, 2022	December 31, 2021
Employee salaries and other benefits	3,252,591	3,340,763
Professional and legal fees	177,257	206,250
Remuneration of the board of directors and committees (note 27)	3,230,500	3,095,450
Depreciation	649,864	675,568
Expected credit losses	1,000,000	168,839
Maintenance and repair	207,608	190,482
Electricity and water	68,517	110,066
Fees and subscriptions	431,798	404,010
Others	228,079	297,663
	9,219,214	**8,489,091**

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, 2021: 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:

(All amounts in Saudi Riyals unless otherwise stated)

25. Segment reporting...(Continued)

As at 31/12/2021	Riyadh		Yanbu		Dammam		Total		Total
	Gypsum	Walls	Gypsum	Walls	Gypsum	Walls	Gypsum	Walls	
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

As at 31/12/2022	Riyadh		Yanbu		Dammam		Total		Total
	Gypsum	Walls	Gypsum	Walls	Gypsum	Walls	Gypsum	Walls	
Net sales	34,238,839	386,064	9,993,056	-	9,669,581	449,467	53,901,476	835,531	54,737,007
Gross profit / loss	10,625,535	(434,813)	611,117	(1,160,471)	866,351	(2,781,362)	12,103,003	(4,376,646)	7,726,357
Net profit / loss before Zakat	2,441,910	(625,340)	511,117	(1,350,998)	580,560	(2,971,889)	3,533,587	(4,948,227)	(1,414,640)
Net property, plant, equipment and equivalent	73,785,948	2,689,769	47,484,031	7,586,558	60,765,656	62,706,571	182,035,635	72,982,898	255,018,533

(All amounts in Saudi Riyals unless otherwise stated)

26. Contingent liabilities and capital commitments

The company has bank guarantee letters issued to third parties as at December 31, 2022, amounting to SR. 1.7 million (December 31, 2021: SR. 1.7 million).

27. 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:

	December 31, 2022	December 31, 2021
Salaries and bonuses for senior management staff	806,500	854,450
Remuneration of members of the board of directors	1,800,000	1,800,000
Remuneration of committee members	150,000	150,000
Allowance for attending board meetings	303,000	150,000
Allowance for attending the company's committee sessions	144,000	141,000
Total	**3,230,500**	**3,095,450**

28. Fair value of financial instruments

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

The company's financial assets consist of cash and cash equivalents, trade and other receivables and investments at fair value through profit or loss, and investments in equity instruments at fair value through other comprehensive income, while the financial liabilities consist of 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:

	Book value	Fair value		
As at December 31, 2022		Level 1	Level 2	Level 3
Investments at fair value through profit or loss	10,089,515	-	-	10,089,515
Investments in equity instruments at fair value through other comprehensive income	31,364,650	31,364,650	-	-
As at December 31, 2021				
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	-	-

(All amounts in Saudi Riyals unless otherwise stated)

29. 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.

29.1. 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, 2022, 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, US dollar and euro during the year. Therefore, the company was not exposed to significant risks in other foreign currencies for the year ending on December 31, 2022, as the change in the exchange rate of the Saudi riyal against the US dollar and euro does not represent a significant currency risk.

29.2. 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:

	December 31, 2022	December 31, 2021
Cash and cash equivalents	49,849,442	87,975,714
Trade receivables net	35,454,630	29,767,064

29.3. 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 liabilities 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.

29. Financial risk management...(Continued)

29.3. Liquidity risk...(Continued)

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.

Capital management

For the purpose of managing the company's capital risk, the company's capital structure consists of shareholders' equity (consist of share capital, statutory reserve, retained earnings and equity instruments valuation reserve at FVOCI). The main objective of capital management is to maximize shareholders' equity.

The company manages and adjusts its share capital structure in view of changes in economic conditions and financial commitment requirements, In order to maintain or adjust the share capital structure, the company may adjust dividends to shareholders or issue new shares.

The company has no capital structure with specific objectives or rates to be achieved in connection with managing capital risk. The overall strategy of the company remains unchanged from the previous year.

30. Comparative figures

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

31. Significant events

On Shawwal 25, 1443 AH (corresponding to May 26, 2022 AD), the fifty-seventh Ordinary General Assembly of the Company's shareholders held and resolved to approve the election of new board members from among the candidates for the next session, which starts on May 26, 2022 and lasts for three years, ending on May 25, 2025.

32. Subsequent events

On January 16, 2023, corresponding to Jumada Al-Akhir 23, 1444H, and based on the resolution of the Minister of Commerce No. (284), the executive regulations for the new Companies' Act were issued, and on January 19, 2023 (corresponding to Jumada Al-Akhir 26, 1444H), the new Companies' Act issued by Royal Decree No. (M / 132) entered into force. The company's management will make the necessary amendments to the Article of Association as required by the new Companies' Act and its executive regulations.

The management believes that there are no other significant subsequent events from the statements of financial position date on December 31, 2022 until the date of preparing these financial statements that may have a material impact on the financial position of the company.

33. Approval of the financial statements

These financial statements were approved by the Board of Directors on 08/09/1444 H (corresponding to 30/03/2023).