

## INDEPENDENT AUDITOR'S REPORT

**TO: THE SHAREHOLDERS  
ALUJAIN HOLDING CORPORATION  
A Saudi Joint Stock Company**

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the accompanying consolidated financial statements of **ALUJAIN HOLDING CORPORATION (the "Company") and its subsidiaries (collectively the "Group")**, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and professional Accountants (SOCPA).

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of Matters**

We draw attention to the following:

- 1- As explained in Note (9) of the accompanying consolidated financial statements, which indicates that in June 2021 National Petrochemical Industrial Company ("NATPET") (Subsidiary Company) completed all procedures related to the transfer of ownership of Menna Company, Fawasel Advanced Petrochemical Company, Al-Taj Towers for Plastic Industries Company, and Afaq professional Chemical Company ("the four Companies") as per the directives of the competent authorities and became a 100% owner of these four companies. Accordingly, the investment in the four entities has been included in the consolidated financial statements of the Group for the year ended 31 December 2021. Our opinion has not been amended based on this matter.
- 2- As explained in Note (18) of the accompanying consolidated financial statements, which indicates that the treasury shares amounting to SR 627 million have been issued a court decision on March 8, 2020 restricting the rights of shares owned by NATPET and any subsidiary company directly or indirectly related to NATPET in these shares of "Alujain Holding Company" until the ownership and transfer are properly corrected, by activating the role of the General Assembly of NATPET. Our opinion has not been amended based on this matter.
- 3- Note (9) to the accompanying consolidated financial statements, which describes the effects of fire in NATPET production facilities. Our opinion has not been amended based on this matter.

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**INDEPENDENT AUDITOR'S REPORT (Continued)**  
**ALUJAIN HOLDING CORPORATION**  
**A Saudi Joint Stock Company**

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Acquisition of a subsidiary "Natpet"</b>	
<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The group obtained control over Natpet on November 11, 2021, due to minority's veto right laps after changes in the Company's by- Law and Natpet became a subsidiary since that date, and the control was obtained with no consideration transferred.</p> <p>The accounting for acquisitions is governed by IFRS 3 'Business Combination' whose requirements can be complex and which requires management to exercise significant judgement in determining certain estimates. The most significant judgement is the determination of purchase price allocation which encompasses:</p> <ul style="list-style-type: none"> <li>• Identifying the assets (both tangible and intangible) and liabilities acquired and determining their fair values;</li> <li>• Determination of goodwill to be recognized on acquisition; and</li> <li>• Determining the value of the consideration transferred.</li> </ul> <p>The group obtained control over Natpet without transferring consideration. As per IFRS 3 "Business combination" the group shall remeasure its previously held interest in the acquiree at its acquisition- date fair value.</p> <p>Given the scale and complexity of the acquisition, this was considered a key audit matter.</p>	<p>We have performed the following procedures among others:</p> <ul style="list-style-type: none"> <li>• We have assessed control of the subsidiary Company, and reviewed the changes to the the Company's by- Law.</li> <li>• We have obtained and reviewed the valuation reports regarding the fair value of the acquired Company and the valuation reports for the identifiable assets prepared by management's external expert.</li> <li>• Review the valuation by our specialists that was provided by the group and the methodology used to determine the identifiable assets acquired and the liabilities assumed; Especially: <ul style="list-style-type: none"> <li>- Review methodologies and key assumptions used in valuing the fair value of the acquiree and the valuation of the net identifiable assets.</li> <li>-Review key assumptions used to determine growth rates and trends and underlying data.</li> <li>-Challenge the fair value of the consideration transferred, which involved evaluating expectations of future business performance by approving forecasts amounts and underlying contracts and comparing then with forecasts with historical performance and results since the acquisition date.</li> <li>- We have assessed the competence, objectivity, and capabilities of the experts engaged by management for valuation the acquired Company and the valuation of the net identifiable assets.</li> <li>- We have assessed the adequacy and appropriateness of the disclosure in Note 9 to the consolidated financial statements.</li> </ul> </li> </ul>
With reference to note (9) related to Acquisition of a subsidiary .	

**INDEPENDENT AUDITOR'S REPORT (Continued)**  
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**Key Audit Matters (Continued)**

<b>Impairment of inventory</b>	
<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>As at December 31, 2021 the group had inventory of SAR 320 Million and related provision against slow moving and damaged inventory of SAR 1.7 Million. This inventory consists of raw materials, finished goods, the Company applies a provisioning policy when there are specific matters relating to the quantity and/ or net realizable value of these materials or goods.</p> <p>As for spare parts, including other supplies and materials, the administration considers these parts and materials to have been impaired when there is evidence of damage in their physical condition and/or lack of demand for them in the specified period.</p> <p>We considered this a key audit matter because the provision for slow moving, and damaged inventory is based on a high judgment by management in respect to factors such as the identification of slow moving, stagnant and obsolete spare parts, and includes an assessment of their future use and the determination of associated provisions. Total inventory and related provision are considered material in the financial statements.</p> <p>Please refer to accounting judgments, estimates and assumptions, and note 14 in respect to slow moving and damaged inventory provision.</p>	<ul style="list-style-type: none"> <li>• In addition to other audit procedures, we have examined the stock allowance accounts against the company's policy regarding slow moving and damaged stock. We have prepared a physical count of inventory items at the end of the year in order to see and understand the company's procedures when identifying damaged inventory items.</li> <li>• We have evaluated the assumptions and the reasonableness of the judgments used by management in estimating the provision. For raw materials and finished goods, we tracked inventory, on a sample basis, to post-year-end sales and confirmed that they were being sold at above book value.</li> <li>• For spare parts, including supplies and other basic materials, that were assessed for impairment in accordance with the following procedures, on a sample basis: <ul style="list-style-type: none"> <li>-We have obtained an understanding of how company management determines slow moving and obsolete spare parts and assesses the amount of inventory provision.</li> <li>-We have obtained an understanding and assessment of the appropriateness of the basis for identifying slow moving, stagnant and obsolete inventories.</li> <li>-We have tested the accuracy of the aging and obsolete Stock of inventory, on a sample basis.</li> </ul> </li> </ul>
<p>With reference to note (9) related to slow moving and damaged inventory provision.</p>	



**INDEPENDENT AUDITOR'S REPORT (Continued)**  
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**Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report and conclude that there is 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 Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, Regulations for Companies and Company's By-laws, 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 consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



**INDEPENDENT AUDITOR'S REPORT (Continued)**  
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**Auditor's Responsibilities for the Audit of the Consolidated 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

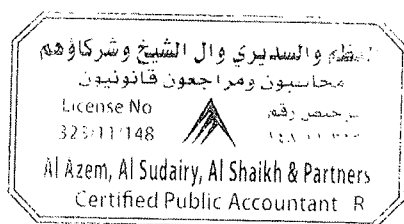
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

**INDEPENDENT AUDITOR'S REPORT (Continued)**  
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**Report on other legal and regulatory requirements**

Paragraph 135 of the Companies Law requires that the auditor includes in his report what might come to his attention with respect to non-compliance of the terms of the Regulations for companies or the terms of Company's by-law. During the course of our current audit of the consolidated financial statements, we have noted that the company had non-compliances of the Regulations for companies, having no material impact on the consolidated financial statements,, represented by the subsidiary company NATPET owning shares in the holding company ("Alujain Holding"), which is a non-compliance of Regualtions for Companies (Article 184) in the Kingdom of Saudi Arabia.



**Al Azem, Al Sudairy, Al Shaikh & Partners**  
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22 Sha'ban 1442H (March 31, 2022)  
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