

**ALUJAIN HOLDING CORPORATION  
(A Saudi Joint Stock Company)**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
AND INDEPENDENT AUDITOR'S REPORT**



**Crowe**

**Al Azem & Al Sudairy & Al Shaikh & Partners**  
CPA's & Consultants - Member Crowe Global

ALUJAIN HOLDING CORPORATION  
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
AND INDEPENDENT AUDITOR'S REPORT

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## 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 subsidiary (collectively the "Group")**, which comprise the consolidated statement of financial position as at December 31, 2020, 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, 2020 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 Certified Public 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.

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

**Emphasis of Matters**

We draw attention to the following:

As explained in Note (9) of the accompanying consolidated financial statements, end of 2019, established four companies , Mna Company, Developed Fawasel Chemical Company, Abraj Altaj Plastic Industrial Company and Professional Afaq Company (“the four companies”) without paid their capital as of 2019, and in Jan 1 ,2020 NATPET company signed contract with a combined value of SR 559 million so that the four companies can purchase shares in Alujain Holding Corporation and pay off the loan on December 31, 2025. Through first quarter for their 2020, NATPET company gave up its full shares in these four companies in stages, and the management of NATPET believes that the process of assigning ownership of these four companies is illegal, and legal procedures have begun to restore its ownership and control over these four companies. Accordingly, the financial statements of these four companies were not consolidated within the consolidated financial statements of NATPET company for the year ending on December 31, 2020. In addition, NATPET company obtained a legal opinion that supports its position and confirms its ability to recover the value of the loan by the due date, and our opinion has not been amended based on this matter

As explained in Note (9) and Note (30) to the accompanying consolidated financial statements which describes that NATPET invested in Alujain Holding Corporation shares and the fair value of those shares as of December 31, 2019 amounted to about SR 223 million (7.435 million shares). At the beginning of March 2020, NATPET sold all these shares. On March 10, 2020, a court ruling was issued against NATPET and any of its subsidiaries, whether owned directly or indirectly, restricting the rights of shares owned by NATPET Company in the Alujain Holding Corporation until ownership is corrected and moving properly through activating the regular role of the General Assembly of NATPET, according to the Regulations for Companies. Management, after consulting with legal counsel, believes that this ruling includes restricting the rights of these shares transferred by NATPET to others as long as the transfer of shares is in a fictitious and unrealistic manner. Our opinion is not further modified in respect of this matter.

As explained in Note (9) to the accompanying consolidated financial statements which describes that a court ruling was issued at the end of 2019 revoking the NATPET General Assembly’s decision regarding dividends amounting SR 107 million related to year ended December 31, 2018. The General Assembly of NATPET was held on May 31, 2020, and approved a dividend of SR 107 million for the year ended December 31, 2019. Our opinion is not further modified in respect of this matter.



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

**ALUJAIN HOLDING CORPORATION**

**A Saudi Joint Stock Company**

**Key Audit Matters (Continued)**

| <b>NATPET's Financial Statements</b>  |   |
|---|---|
| <b>Key audit matter</b>   | <b>How the matter was addressed in our audit</b>  |
| <p>The book value of the Investment accounted for using equity method is 1,625,464 million Saudi riyals as of December 31, 2020 (2019: 1,44,513 million Saudi riyals).</p> <p>The company is exposed to the risk of decrease in the value of its Investment accounted for using equity method. The company takes into consideration whether there are any indications of a decrease in the value of the Investment accounted for using equity method.</p> <p>The decrease in the value of the Investment accounted for using equity method is considered a major matter for review due to its material impact on the company's results.</p> | <p>We have performed the following procedures among others:</p> <ul style="list-style-type: none"> <li>• Evaluating the appropriateness of the company's accounting policies to measure the investment in an accountant company, using the equity method, in line with the requirements of international financial reporting standards.</li> <li>• Evaluating, designing and implementing internal control procedures related to the company's procedures for recognition and subsequent measurement of the investee company using the equity method, including proof of the company's share of the investment results and evidence of the decline in value.</li> <li>• We were appointed as an independent auditor for NATPET for the year ended December 31, 2020, and we are independent from the company as we reviewed the consolidated financial statements and issued our report on these consolidated financial statements on March 03, 2021.</li> <li>• Taking into consideration the adequacy of the disclosures made by the company regarding the evaluation of the investment in an invested company using the equity method in accordance with the applicable accounting standards.</li> </ul> |
| <p>With reference to note (9-3) related to investment in equity accounted investees.</p>  |   |

**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.

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

**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.
- 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.

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

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

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



**Al Azem, Al Sudairy, Al Shaikh & Partners**  
**Certified Public Accountants**



**Salman B. AlSudairy**  
**License No. 283**

17 Rajab 1442H (February 28, 2021)  
Riyadh, Kingdom of Saudi Arabia

ALUJAIN HOLDING CORPORATION  
(A Saudi Joint Stock Company)

Consolidated Statement of Financial Position

As at December 31, 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

|  | Note | As at 31 December 31 |                  |
|--|------|----------------------|------------------|
|  |      | 2020                 | 2019             |
| <b>Assets</b>  |      |                      |                  |
| <b>Non-current assets</b>  |      |                      |                  |
| Property, plant and equipment  | 6    | 24,278               | 27,146           |
| Right of use assets  | 7    | 1,442                | 2,039            |
| Intangible assets  | 8    | 111                  | 44               |
| Investment accounted for using equity method   | 9    | 1,625,464            | 1,445,513        |
| <b>Total non-current assets</b>  |      | <b>1,651,295</b>     | <b>1,474,742</b> |
| <b>Current assets</b>  |      |                      |                  |
| Trade and other receivables, net   | 10   | 43,519               | 3,264            |
| Prepayments and other current assets   | 11   | 1,258                | 1,554            |
| Inventories  | 12   | 3,502                | 4,377            |
| Cash and cash equivalents  | 13   | 5,479                | 12,785           |
| <b>Total current assets</b>  |      | <b>53,758</b>        | <b>21,980</b>    |
| <b>Total assets</b>  |      | <b>1,705,053</b>     | <b>1,496,722</b> |
| <b>Equity and liabilities</b>  |      |                      |                  |
| <b>Equity</b>  |      |                      |                  |
| Share capital  | 14   | 692,000              | 692,000          |
| Statutory reserve  | 15   | 125,844              | 105,115          |
| Retained earnings  |      | 900,568              | 714,507          |
| Other reserves   |      | (27,644)             | (33,255)         |
| <b>Equity attributable to the shareholders of Alujain Holding Corporation (Parent Company)</b> |      | <b>1,690,768</b>     | <b>1,478,367</b> |
| Non-controlling interests  | 9-2  | 346                  | 398              |
| <b>Total equity</b>  |      | <b>1,691,114</b>     | <b>1,478,765</b> |
| <b>Non-current liabilities</b>   |      |                      |                  |
| Non-current portion of lease liabilities   | 7    | 1,011                | 1,187            |
| Employees defined benefits liabilities   | 16   | 3,079                | 3,231            |
| <b>Total non-current liabilities</b>   |      | <b>4,090</b>         | <b>4,418</b>     |
| <b>Current liabilities</b>   |      |                      |                  |
| Short term facilities  | 17   | -                    | 4,506            |
| Trade and other payables   | 18   | 2,716                | 3,484            |
| Current portion of lease liabilities   | 7    | 250                  | 650              |
| Accrued and other current liabilities  | 19   | 5,258                | 3,812            |
| Zakat payable  | 20   | 1,625                | 1,087            |
| <b>Total current liabilities</b>   |      | <b>9,849</b>         | <b>13,539</b>    |
| <b>Total liabilities</b>   |      | <b>13,939</b>        | <b>17,957</b>    |
| <b>Total equity and liabilities</b>  |      | <b>1,705,053</b>     | <b>1,496,722</b> |

Khalid Bin Mohammed Aldawood  
Designated Member and CEO

Saleem Akhtar  
CFO

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



ALUJAIN HOLDING CORPORATION  
(A Saudi Joint Stock Company)

Consolidated Statement of Profit or Loss

For the year ended December 31, 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

|   | Note | For the year ended<br>December 31, |          |
|---|------|------------------------------------|----------|
|   |      | 2020                               | 2019     |
| Revenues  |      | 14,378                             | 23,730   |
| Cost of revenues  | 21   | (13,039)                           | (18,029) |
| Gross profit  |      | 1,339                              | 5,701    |
| Share of net income from an investment accounted for using equity method                      | 9-3  | 236,212                            | 216,454  |
| Selling and marketing expenses  | 22   | (2,298)                            | (3,053)  |
| General and administration expenses   | 23   | (25,291)                           | (14,362) |
| Profit from operations  |      | 209,962                            | 204,740  |
| Financing cost  |      | (588)                              | (98)     |
| Other income  |      | 6                                  | 1,432    |
| Profit before Zakat   |      | 209,380                            | 206,074  |
| Zakat expense   | 20   | (2,145)                            | (14,908) |
| Net profit for the year   |      | 207,235                            | 191,166  |
| Profit for the year attributable to:  |      |                                    |          |
| Shareholders of the Parent Company  |      | 207,287                            | 191,156  |
| Non-controlling interests   | 9-2  | (52)                               | 10       |
|   |      | 207,235                            | 191,166  |
| Earnings per share attributable to equity holders of the Company:                             |      |                                    |          |
| Basic and diluted earnings per share for the shareholders in the parent company (Saudi Riyal) | 24   | 3.00                               | 2.76     |

Khalid Bin Mohammed Aldawood  
Designated Member and CEO

Saleem Akhtar  
CFO

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ALUJAIN HOLDING CORPORATION  
(A Saudi Joint Stock Company)

Consolidated statement of comprehensive income  
For the year ended December 31, 2020  
(All amounts in Saudi Riyals thousands unless otherwise stated)

|  | Note | For the year ended<br>December 31, |                |
|--|------|------------------------------------|----------------|
|  |      | 2020                               | 2019           |
| Net profit for the year  |      | 207,235                            | 191,166        |
| Other comprehensive income   |      |                                    |                |
| <u>Items that will not be reclassified to statement of profit or loss:</u> |      |                                    |                |
| Re-measurement of retirement benefit obligation                            | 16   | (42)                               | 1,315          |
| Share of other comprehensive income (loss) of an associate                 | 9-3  | 5,156                              | (18,282)       |
|  |      | 5,114                              | (16,967)       |
| <b>Total comprehensive income for the year</b>                             |      | <b>212,349</b>                     | <b>174,199</b> |
| <b>Total comprehensive income for the year attributable to:</b>            |      |                                    |                |
| Equity holders of the Parent Company                                       |      | 212,401                            | 174,189        |
| Non-controlling interests  | 9-2  | (52)                               | 10             |
|  |      | <b>212,349</b>                     | <b>174,199</b> |

Khalid Bin Mohammed Aldawood  
Designated Member and CEO

Saleem Akhtar  
CFO

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

ALUJAIN HOLDING CORPORATION  
(A Saudi Joint Stock Company)

Consolidated statement of changes in equity  
For the year ended December 31, 2020  
(All amounts in Saudi Riyals thousands unless otherwise stated)

|   | Attributable to the shareholders of ALUJAIN HOLDING CORPORATION |               |                   |                   | Non-controlling interest | Total equity |                |           |
|---|---|---------------|-------------------|-------------------|--------------------------|--------------|----------------|-----------|
|   | Note  | Share capital | Statutory reserve | Retained earnings |                          |              | Other reserves | Total     |
| Balance as at January 1, 2020           |   | 692,000       | 105,115           | 714,507           | (33,255)                 | 1,478,367    | 398            | 1,478,765 |
| Net profit for the year                 |   | -             | -                 | 207,287           | -                        | 207,287      | (52)           | 207,235   |
| Other comprehensive income for the year |   | -             | -                 | (497)             | 5,611                    | 5,114        | -              | 5,114     |
| Total comprehensive income for the year |   | -             | -                 | 206,790           | 5,611                    | 212,401      | (52)           | 212,349   |
| Transfer to statutory reserve           | 15  | -             | 20,729            | (20,729)          | -                        | -            | -              | -         |
| Balance as at December 31, 2020         |   | 692,000       | 125,844           | 900,568           | (27,644)                 | 1,690,768    | 346            | 1,691,114 |
| Balance as at January 1, 2019           |   | 692,000       | 85,999            | 545,633           | (19,454)                 | 1,304,178    | 388            | 1,304,566 |
| Net profit for the year                 |   | -             | -                 | 191,156           | -                        | 191,156      | 10             | 191,166   |
| Other comprehensive loss for the year   |   | -             | -                 | (3,166)           | (13,801)                 | (16,967)     | -              | (16,967)  |
| Total comprehensive income for the year |   | -             | -                 | 187,990           | (13,801)                 | 174,189      | 10             | 174,199   |
| Transfer to statutory reserve           | 15  | -             | 19,116            | (19,116)          | -                        | -            | -              | -         |
| Balance as at December 31, 2019         |   | 692,000       | 105,115           | 714,507           | (33,255)                 | 1,478,367    | 398            | 1,478,765 |

Khalid Bin Mohammed Aldawood  
Designated Member and CEO

Saleem Akhtar  
CFO

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

ALUJAIN HOLDING CORPORATION  
(A Saudi Joint Stock Company)

Consolidated statement of cash flows

For year ended December 31, 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

|  | Note | For the year ended<br>December 31, |                |
|--|------|------------------------------------|----------------|
|  |      | 2020                               | 2019           |
| <b>Cash flows from operating activities</b>                                |      |                                    |                |
| Profit before Zakat  |      | 209,380                            | 206,074        |
| <u>Adjustments for:</u>  |      |                                    |                |
| Depreciation and amortization  | 6&8  | 3,106                              | 3,118          |
| Depreciation of right of use assets  |      | 539                                | 597            |
| Employee defined benefit expenses  | 16   | 507                                | 611            |
| Share in net income of equity accounted investees                          | 9-3  | (236,212)                          | (216,454)      |
| Loss on disposal of property, plant and equipment                          |      | 156                                | -              |
| Loss on disposal of right of use assets                                    |      | 58                                 | -              |
| <u>Working capital adjustments:</u>  |      |                                    |                |
| Inventories  |      | 875                                | (252)          |
| Trade and others receivables   |      | (40,255)                           | 844            |
| Prepayments and other current assets                                       |      | 296                                | 28,508         |
| Trade and other payables   |      | (768)                              | (6,964)        |
| Liabilities against right of use assets                                    |      | (576)                              | (799)          |
| Accrued and other current liabilities                                      |      | 1,446                              | (310)          |
| <b>Net cash flows (used in) / provided from operations</b>                 |      | <b>(61,448)</b>                    | <b>14,973</b>  |
| Employees defined benefits paid  | 16   | (701)                              | (435)          |
| Zakat paid   | 20   | (1,607)                            | (15,545)       |
| <b>Net cash flows used in operating activities</b>                         |      | <b>(63,756)</b>                    | <b>(1,007)</b> |
| <b>Cash flows from investing activities</b>                                |      |                                    |                |
| Addition to property, plant and equipment                                  |      | (396)                              | (88)           |
| Addition to intangible assets  |      | (74)                               | -              |
| Proceeds from sold property, plant and equipment                           |      | 9                                  | -              |
| Distributions from investment in accountant companies on the equity method |      | 61,417                             | -              |
| <b>Net cash flows provided from / (used in) investing activities</b>       |      | <b>60,956</b>                      | <b>(88)</b>    |
| <b>Cash flows from a financing activity</b>                                |      |                                    |                |
| Short term loans   |      | (4,506)                            | 4,506          |
| <b>Cash flows (used in) / provided from financing activity</b>             |      | <b>(4,506)</b>                     | <b>4,506</b>   |
| <b>Net change in cash and cash equivalents</b>                             |      | <b>(7,306)</b>                     | <b>3,411</b>   |
| Cash and cash equivalents at the beginning of the year                     |      | 12,785                             | 9,374          |
| <b>Cash and cash equivalents at the end of the year</b>                    |      | <b>5,479</b>                       | <b>12,785</b>  |

Khalid Bin Mohammed Aldawood  
Designated Member and CEO

Saleem Akhtar  
CFO

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

**ALUJAIN HOLDING CORPORATION**  
**(A Saudi Joint Stock Company)**

**Notes to the consolidated financial statements**

**For The Year Ended 31 December 2020**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**1 General information**

ALUJAIN HOLDING CORPORATION ("the Company" or "the Parent Company") is a Saudi Joint Stock Company incorporated and operating in the Kingdom of Saudi Arabia under Ministerial Decision No. 694, dated 15 Jamad Thani 1412H, corresponding to December 23, 1991. The Company obtained its Commercial Registration No. 4030084538 on Rajab 3, 1412H, corresponding to January 7, 1992. The Commercial Register was deleted and replaced with the new Commercial Register No. 1010614417 issued on 8 Jumada Al-Awal 1439H corresponding 25 January 2018. The Parent Company is listed on the Saudi Stock Exchange.

On February 4, 2020, Extraordinary General Assembly approved the amendment of Article no (2) of the company's articles of association regarding changing the name of the company from Aujain Corporation to become Alujain Holding Corporation "Alujain". The company's activity has been also amended based on decision of the Extraordinary General Assembly. The activities of the company before the amendment was to promot and invest in the metallurgical and petrochemical industries and other industrial projects and amended to to manage its subsidiaries and participate in the management of other contributed companies , provide needed support, invest in stocks and other financial instruments, acquire necessary property and movables to start its activity and provide loans and financing guarantees to its subsidiaries.

The head office of the Parent Company is located in Riyadh.

The consolidated financial statements comprise the financial statements of the Company and its following subsidiaries (the "Group") as at December 31, 2020:

| Subsidiaries                       | Country of incorporation | Paid up share capital |        | Effective ownership |        |
|------------------------------------|--------------------------|-----------------------|--------|---------------------|--------|
|                                    |                          | 2020                  | 2019   | 2020                | 2019   |
| Zain Industries Company (1)        | Saudi Arabia             | 40,000                | 60,000 | 98.75%              | 98.75% |
| Alujain Company for Investment (2) | Saudi Arabia             | 100                   | 100    | 100%                | 100%   |
| Alujain Industrial Company (3)     | Saudi Arabia             | 100                   | 100    | 100%                | 100%   |

1. Zain Industries Company - a Limited Liability Company ("Zain") is engaged in the business of homecare products (spray starch and air fresheners), insecticides and agricultural pesticides, with manufacturing facility located in Jubail Industrial City. During 2017, the Parent Company increased its ownership interest in Zain from 49.38% to 98.75% by purchasing the interest from existing partners.
2. Alujain Company for Investment - a Sole Proprietor Limited Liability Company ("ACJ") was incorporated during the year 2017. ACJ's purpose is to engage in sale and purchase of land and real estate, and provision of commercial and administrative services. However, ACJ has not commenced commercial operations. The Parent Company has transferred 26,008,709 shares held in National Petrochemical Industrial Company NATPET (representing 20% share capital of NATPET) to ACJ under an agreement dated August 17, 2017. Legal formalities to update the share register of NATPET to reflect the new shareholding are under process.
3. Alujain Industrial Company - A Sole Proprietor Limited Liability Company ("AIC") was incorporated during the year 2017. AIC's purpose is to engage in providing commercial and administrative services. However, AIC has not commenced commercial operations. The Parent Company transferred 26,008,709 shares held in NATPET (representing 20% share capital of NATPET) to AIC under an agreement dated August 17, 2017. Legal formalities to update the share register of NATPET to reflect the new shareholding are under process.

## 2 Basis of preparation

### a) Statement of compliance

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

The Capital Market Authority (CMA) announced on October 16, 2016 that it obligates the listed entities to apply the cost model to measure the property, plant and equipment, investment properties and intangible assets upon adopting the IFRS for three years period starting from the IFRS adoption date. On December 31 2020, it was extended up the financial years starting from 1 January 2022. The Company obligated to the requirements described in the accompanying consolidated financial statements.

### b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for the following:

- Available for Sale ("AFS") investment, financial assets and liabilities that have been measured at fair value
- Employees defined benefit liabilities, determined using actuarial present value calculations based on project unit credit method.

The accounting policies adopted are consistent with those of the previous financial year ended December 31, 2019 except for and the adoption of new and amended standards as set out in Note 5.

### c) Functional and presentation currency

The consolidated financial statements are presented in Saudi Riyals which is also the Group's functional currency and all values are rounded to the nearest thousand Saudi Riyals, except when otherwise indicated.

### d) Income and cash flow statements

The Group has elected to present consolidated statements of income and other comprehensive income separately and presents its expenses by function.

The Group reports consolidated cash flows from operating activities using the indirect method.

## 3 Significant accounting estimates, assumptions and judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future period.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

### 3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur

**3 Significant accounting estimates, assumptions and judgments (continued)**

**3.1 Key sources of estimation uncertainty (continued)**

**3.1.1 Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's ("CGU") fair value less costs of disposal and its value in use. It 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. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations.

A previously recognised 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 recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement consolidated of profit or loss.

**3.1.2 Fair value of assets and liabilities acquired in a business combination**

The Group makes judgements and estimates in relation to the fair value determination of the assets and liabilities acquired in a business combination. In making such judgements, the Group applied the replacement cost model in determining the fair value of the non-financial assets as permitted by IFRS 13 "Fair value measurement" ("IFRS 13").

The accounting of business combination requires recognizing the excess of purchase consideration over the fair value of the identifiable assets and liabilities of the acquired entity on the date of acquisition. Where the purchase consideration exceeds such fair value, it is recognised as goodwill and if such fair value exceeds the purchase consideration, it is recognised as gain on acquisition in the consolidated statement of income.

**3.2 Critical judgments in applying accounting standards**

The Group measures its investments as subsidiaries where the Group exercises control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, holding majority equity instruments that give the Group proportionate voting rights, such as an ordinary share in an investee, in the absence of other factors, establishes controls over the investee. As mentioned in Note 9.3, although the Group holds 57.4% equity interest in NATPET, the Group is unable to demonstrate power to control relevant activities of NATPET as per the requirements of IFRS 10. Consequently, the Group accounts for the investment in NATPET under the equity method on the basis that it possesses significant influence but not control over NATPET. The Group performs continuous assessment at the end of each reporting period to determine whether the criteria of control is met.

#### 4 Summary of significant accounting policies

##### Basis for consolidation

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its return

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year / period are included in the consolidated financial information from the date the Group gains control until the date the Group ceases to control the subsidiary.

Income and each component of other comprehensive income are attributed to the equity holders of the part of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the information of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in consolidated statement of income. Any investment retained is recognised at fair value.

##### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administration expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the consolidated statement of income.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.



4 Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial information, provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the Group also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period does not exceed one year from the acquisition date.

Where goodwill has been allocated to a cash-generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Investments in equity accounted investees

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in statement of other comprehensive income of those investees is presented as part of the Group's consolidated statement of other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial information of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

4 Summary of significant accounting policies (continued)

Foreign currency transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in the consolidated statement of other comprehensive income or consolidated statement of income, respectively).

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

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised 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 expected to be settled in 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.

The Group classifies all other liabilities as non-current.

Fair value measurement

The Group measures financial instruments, such as, derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial information are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets 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.

For assets and liabilities that are recognised in the financial information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The policies and procedures for both recurring fair value measurement and for non-recurring measurement are evaluated periodically.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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4 Summary of significant accounting policies (continued)

Cash dividend to equity holders

The Group recognises a liability to make cash distribution to equity holders of the Group when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the regulations for companies of Saudi Arabia, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All repair and maintenance costs are recognised in the consolidated statement of income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

|                          | Years |
|--------------------------|-------|
| • Leasehold improvements | 10    |
| • Buildings              | 30    |
| • Plant and equipment    | 30    |
| • Furniture and fixtures | 10    |
| • Office equipment       | 10    |
| • Vehicles               | 4     |

Assets under construction which are not ready for its intended use are not depreciated.

When a major inspection (turnaround/shutdown, planned or unplanned) is performed, its directly met attributable cost is recognised in the carrying amount of the plant and equipment if the recognition criteria are met. This is recorded as a separate component with a useful life generally equal to the time period up to the next scheduled major inspection (turnaround). If the next turnaround occurs prior to the planned date, any existing book value of the previous turnaround is recognized in the consolidation statement of income immediately.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the consolidated statement of income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

Research costs are expensed as incurred.

Group's intangible is being amortised over a period of 5 years.

The Group does not possess any indefinite intangible assets

4 Summary of significant accounting policies (continued)

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right of use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the consolidated statement of income on a straight-line basis over the lease term.

The Group has not entered into any agreement for finance lease.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: weighted average method
- Packaging and label: weighted average method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Consumables spare parts

Consumables are ancillary materials which are consumed in the production of semi-finished and finished products. Consumables may include engineering materials, one-time packaging materials and certain catalysts.

Spare parts are the interchangeable parts of plant and equipment which are considered to be essential to support routine maintenance, repair and overhaul of plant and equipment or to be used in emergency situations for repairs. The Group maintains the following different types of spare parts:

- Stand-by equipment items acquired together with the plant/production line or purchased subsequently but related to a particular plant or production line and will rarely be required are critical to plant operation and must be available at stand-by at all times. These are capitalised as part of property, plant and equipment and depreciated from purchase date over a period which is shorter of the component's useful life or the remaining useful life of the plant in which it is to be utilised. These do not form part of inventory provided capitalization criteria under property, plant and equipment is met.
- Repairable items that are plant/production line specific with long lead times and will be replaced and refurbished frequently (mostly during turnarounds). These are capitalised as part of property, plant and equipment where the capitalization criteria are met. Depreciation is started from day of installation of these items in the plant, and the depreciation period is the shorter of the useful life of the component and the remaining useful life of the plant and equipment in which it is installed. These do not form part of inventory.
- General capital spares and other consumables items which are not of a critical nature and are of a general nature, i.e., not plant specific and which may be required at any time for facilitating plant operations. They are generally classified as 'consumables and spare parts' under inventory. Items recorded under inventory are subject to assessment for obsolescence provision and are charged to the statement of income upon their installation or use. Where such items meet criteria for capitalization, their depreciation method is similar to repairable items as noted above.

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4 Summary of significant accounting policies (continued)

Financial instruments

Classification of financial assets

The Group classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); and
- Amortized cost.

These classifications are on the basis of business model of the Group for managing the financial assets, and contractual cash flow characteristics.

The Group measures financial asset at amortized cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

Initial measurement

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount. Trade receivables are measured at transaction price.

Classification of financial liabilities

The Group designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed and its performance is evaluated on a fair value basis.

These amounts represent liabilities for goods and services provided to the Group prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 12 months of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

All other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset so that the net amount reported in the statement of financial position where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Reclassifications

Financial assets are reclassified when the Group changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short term or long term. Financial liabilities are not reclassified.

Subsequent measurement

Subsequent measurement of financial assets is as follows:

**Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains (losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

4 Summary of significant accounting policies (continued)

Financial instruments (continued)

Subsequent measurement (Continued)

FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains (losses) and impairment expenses are presented as separate line item in the statement of comprehensive income.

De-recognition

The Group derecognizes a financial asset when, and only when the contractual rights to the cash flows from financial asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset.

Financial liabilities are derecognized when the obligations specified in the contract is discharged, cancelled or expires. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability.

*Impairment*

*Financial assets*

The Group recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI, lease receivables, trade receivables.

No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Group applies the simplified approach to calculate impairment on trade receivables and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rate based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 month ECL is recognized the credit risk on the financial instrument has not increased significantly since initial recognition. The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

*Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Exposure at default for off balance sheet items is arrived at by applying a credit conversion factor to the undrawn portion of the exposure.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

4 Summary of significant accounting policies (continued)

Financial instruments (continued)

*Measurement and recognition of expected credit losses (Continued)*

The Group recognizes an impairment gain or loss in the consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

*Non-financial assets*

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's 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 group 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 its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations.

Impairment losses are recognized in the consolidated statement of profit or loss. An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU'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 exceed 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 consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

**Revenue from contracts with customers**

The Group recognizes revenue from contracts with customers based on a five step model as set out in IFRS 15:

Step 1. Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

4 Summary of significant accounting policies (continued)

Revenue from contracts with customers (continued)

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations, where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized, this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Revenue is recognized in the consolidated statement of profit or loss to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

The Group manufactures and sales home care products to retailers and wholesalers. Revenue from such sale of goods is recognized at the point when the Group sells a product to the customer. Payment of the transaction price is due as per the credit term when the customer purchases the goods.

Revenue is measured at the fair value of the consideration received or receivable net of discounts and taxes. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, can be measured reliably.

Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

**Trade receivables**

Trade receivables are amounts due from customers for products sold and services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using EIR, less provision for impairment. Subsequent recoveries of amount previously written-off are credited to the consolidated statement of income against "General and administrative expenses".

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, bank balances, short-term deposits, demand deposits and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Employee benefits**

**Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare, child education allowance that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.



4 Summary of significant accounting policies (continued)

Employee benefits (continued)

*Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The net liability recognised in the consolidated statement of financial position in respect of defined benefit post-employment plans is the present value of the projected defined benefit obligation (DBO) at the reporting date. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur as other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the consolidated statement of income as past service costs.

Valuations of the obligations under these plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in the consolidated statement of income while unwinding of the liability at discount rates used are recorded as financial cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the consolidated statement of other comprehensive income.

The actuarial valuation process takes into account the provisions of the Saudi Arabian Labor and Workmen law as well as Group policy. The end of service payments is based on employees' final services and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

**Trade payables**

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using EIR.

**Earnings per share**

Basic earnings per share is calculated by dividing:

- the income attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- by the weighted average number of ordinary shares outstanding during the financial year, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

4 Summary of significant accounting policies (continued)

Expenses

*Cost of sales*

Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw material, direct labor and other attributable overhead costs.

*Selling and marketing expenses*

These include any costs incurred to carry out or facilitate selling activities of the Group.

*General and administration expenses*

These pertain to operational expenses which are not directly related to the production of any goods or services.

Allocation of overheads between cost of sales, selling and marketing expenses, and general and administration expenses, where required, is made on a consistent basis.

*Zakat and income taxes*

The Group is subject to Zakat and income tax in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Zakat, is calculated based on higher of approximate Zakat base and adjusted profit and charged to the consolidated statement of profit or loss. Additional amounts, if any, are accounted for when determined to be required for payment.

Segment reporting

An operating segment is a group of assets, operations or entities:

- (i) Engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components;
- (ii) The results of its operations are continuously analyzed by chief operating decision maker (CODM) in order to make decisions related to resource allocation and performance assessment; and
- (iii) For which financial information is discretely available.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

5 New standards, interpretations and amendments adopted by the Group

The Group first implemented IFRS 16 "Lease Contracts" as of January 1, 2020.

**5.1.1 Amendments to IFRS 3 – definition of a business**

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

**5.1.2 Amendments to IAS 1 and IAS 8 on the definition of material**

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

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

**5.1.3 Amendments to IFRS 9 and IFRS 7 – Interest rate benchmark reform**

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

**5 New standards, interpretations and amendments adopted by the Group (continued)**

**5.2 Standards issued but not yet effective**

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted; however, the Company has not early adopted them in preparing these Financial Statements.

**5.2.1. Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities**

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

**5.2.2. Amendments to IFRS 3, IAS 16, IAS 37**

- IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

**5.3 Annual Improvements to IFRSs 2018–2020 Cycle**

- IFRS 9, 'Financial Instruments' - Clarify the fees a company includes in performing the "10 per cent test" in order to assess whether to derecognize a financial liability.
- IFRS 16, 'Leases' - Remove the potential for confusion regarding lease incentives by amending an Illustrative Example 13 accompanying IFRS 16.

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6 Property, plant and equipment

|                                  | Leasehold improvements | Buildings | Plant and equipment | Furniture and fixtures | Office equipment | Vehicles | Total  |
|----------------------------------|------------------------|-----------|---------------------|------------------------|------------------|----------|--------|
| <b>Cost</b>                      |                        |           |                     |                        |                  |          |        |
| At January 1, 2020               | 227                    | 14,340    | 21,467              | 347                    | 340              | 103      | 36,824 |
| Additions for the year           | -                      | -         | -                   | 85                     | 112              | 199      | 396    |
| Write-offs for the year          | (227)                  | -         | -                   | (347)                  | (179)            | -        | (753)  |
| At December 31, 2020             | -                      | 14,340    | 21,467              | 85                     | 273              | 302      | 36,467 |
| <b>Accumulated depreciation</b>  |                        |           |                     |                        |                  |          |        |
| At January 1, 2020               | 41                     | 3,301     | 5,693               | 347                    | 193              | 103      | 9,678  |
| Depreciation charge for the year | 21                     | 1,132     | 1,799               | 1                      | 144              | 2        | 3,099  |
| Write-offs for the year          | (62)                   | -         | -                   | (347)                  | (179)            | -        | (588)  |
| At December 31, 2020             | -                      | 4,433     | 7,492               | 1                      | 158              | 105      | 12,189 |
| <b>Net book value</b>            |                        |           |                     |                        |                  |          |        |
| At December 31, 2020             | -                      | 9,907     | 13,975              | 84                     | 115              | 197      | 24,278 |
| At December 31, 2019             | 186                    | 11,039    | 15,774              | -                      | 147              | -        | 27,146 |

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7 Right of use Assets and lease liabilities

The right of use assets is in the leased buildings. The following table shows the rights to use the assets in addition to the depreciated consumption:

|                                 | December 31, 2020 | December 31, 2019 |
|---------------------------------|-------------------|-------------------|
| <b>Cost</b>                     |                   |                   |
| At January 1                    | 2,636             | -                 |
| Effect of applying IFRS 19      | -                 | 2,636             |
| Write-offs for the year         | (782)             | -                 |
| At December 31                  | 1,854             | 2,636             |
| <b>Accumulated depreciation</b> |                   |                   |
| At January 1                    | 597               | -                 |
| Charge of the year              | 539               | 597               |
| Write-offs for the year         | (724)             | -                 |
| At December 31                  | 412               | 597               |
| <b>Net book value</b>           | 1,442             | 2,039             |

The lease liabilities as at the end of the year are as follows:

|                                       | December 31, 2020 | December 31, 2019 |
|---------------------------------------|-------------------|-------------------|
| Current portion of lease liabilities  | 250               | 650               |
| Non-current portion lease liabilities | 1,011             | 1,187             |
| <b>Total lease liabilities</b>        | 1,261             | 1,837             |

The Group recognized the financing cost expense of SR 84 on rental contract liabilities during the year ended December 31, 2020 (December 31, 2019: SR 98).

8 Intangibles assets

|   | December 31, 2020 | December 31, 2019 |
|---|-------------------|-------------------|
| <b>Software under development</b>               |                   |                   |
| At January 1                                    | 44                | 180               |
| Addition during the year                        | 74                | -                 |
| Amortization during the year                    | (7)               | (6)               |
| Reclassified from property, plant and equipment | -                 | (130)             |
| At December 31                                  | 111               | 44                |

During prior years, the Group designed an internal management reporting program.

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9 Investments

9.1 Investment in subsidiaries

The Group's principal subsidiaries at December 31, 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also its principal place of business.

| Subsidiaries                   | Note | Country of incorporation | Paid up share capital |        | Effective ownership |        |
|--------------------------------|------|--------------------------|-----------------------|--------|---------------------|--------|
|                                |      |                          | 2020                  | 2019   | 2020                | 2019   |
| Zain Industries Company        | (1)  | Saudi Arabia             | 40,000                | 60,000 | 98.75%              | 98.75% |
| Alujain Company for Investment | (2)  | Saudi Arabia             | 100                   | 100    | 100%                | 100%   |
| Alujain Industrial Company     | (3)  | Saudi Arabia             | 100                   | 100    | 100%                | 100%   |

1. Zain Industries Company – a Limited Liability Company ("Zain") in which the Company owned 49.38% ownership interest as at December 31, 2016. During the year 2017, the Company increased its ownership interest in Zain from 49.38% to 98.75%. Consequent upon transfer of ownership interest, Zain has been consolidated in the accompanying financial statements with effect from January 1, 2017 (the acquisition date as per the shareholders' agreement). Zain is engaged in the business of homecare products (spray starch and air fresheners), insecticides and agricultural pesticides, with manufacturing facility located in Jubail Industrial City, Saudi Arabia.

During the financial year ended December 31, 2020 Zain reduce the share capital with an amount 20 million as per resolution of the partners on October 6, 2020. The reduction has been amended in the Articles of Association.

2. Alujain Company for Investment - a Single Partner Limited Liability Company ("ACJ") was incorporated during the year 2017. ACJ's purpose is to engage in sale and purchase of land and real estate, and provision of commercial and administrative services. However, ACJ has not commenced commercial operations. The Parent Company has transferred 26,008,709 shares held in National Petrochemical Industrial Company "NATPET" (representing 20% share capital of NATPET ) to ACJ under an agreement dated August 17, 2017. Legal formalities to update the share register of NATPET to reflect the new shareholding are under process.
3. Alujain Industrial Company - A Single Partner Limited Liability Company ("AIC") was incorporated during the year 2017. AIC's purpose is to engage in providing commercial and administrative services. However, AIC has not commenced commercial operations. The Parent Company transferred 26,008,709 shares held in NATPET (representing 20% share capital of NATPET) to AIC under an agreement dated August 17, 2017. Legal formalities to update the share register of NATPET to reflect the new shareholding are under process.

9.2 Non-controlling interest

Non-controlling interest recognized in the consolidated financial statements constitute of the out of Group holding in Zain. The Board of Directors do not view the non-controlling interest as material to the Group.

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9. Investments (continued)

9.3 Investment in equity accounted investees

Investment in equity accounted investees consists of the following investment in private entities:

|        | Place of<br>Business /<br>country for<br>incorporation | % Ownership |       | Nature of<br>relationship | December 31,<br>2020 | December 31,<br>2019 |
|--------|--|-------------|-------|---------------------------|----------------------|----------------------|
|        |  | 2020        | 2019  |                           |                      |                      |
| NATPET | Saudi Arabia   | 57.4%       | 57.4% | Associate (i)             | 1,625,464            | 1,445,513            |
|        |  |             |       |                           | <u>1,625,464</u>     | <u>1,445,513</u>     |

1. NATPET

The movement in the investment is as follows:

|  | December 31, 2020 | December 31, 2019 |
|--|-------------------|-------------------|
| January 1  | 1,445,513         | 1,247,341         |
| Share of Profit for the year   | 236,212           | 216,454           |
| Share of other comprehensive loss  | 1,772             | (18,282)          |
| The share in the profits realized from the investment of NATPET in the shares of Alujain Holding Corporation | 3,384             | -                 |
| Dividances   | (61,417)          | -                 |
| December 31  | <u>1,625,464</u>  | <u>1,445,513</u>  |

National Petro Chemical industrial Company "NATPET" is a Saudi Closed Joint Stock Company, incorporated and operating in the Kingdom of Saudi Arabia. The objective of NATPET is to produce polypropylene as per Industrial Ministry License No. 2339 dated Rajab 23,1438H, corresponding to April 20, 2017. NATPET's Polypropylene (PP) complex in Yanbu Industrial City commenced commercial production on August 6, 2010.

On September 2013, NATPET shares owned by Alujain 57.4% of NATPET total shares are pledged against NATPET loans from commercial bank. In September 03, 2020, the pledged has been redeemed.

On January 1, 2016 (the date of Group's adoption of IFRS), investment in NATPET, which was previously recognised as a subsidiary in all the financial statements prepared and published up to and for the year ended December 31, 2016, was re-measured as an equity accounted investee. Consequently, the financial results of NATPET were de-consolidated and re-measured as an equity accounted investee from the date of Group's adoption of IFRS.

On October 2, 2018, a fire occurred at the plant of NATPET in Yanbu. As a result, the complex is currently not in operation. the NATPET has since lodged the claim with the insurance company. Under the insurance policy, the insurance company is responsible to reinstate the plant to its working condition and also compensate the NATPET for business interruption. During the first quarter, the construction work related to NATPET fire accident was completed and trial run commenced.

In subsequent to the accident, NATPET estimated the cost of plant and equipment destroyed in the fire, and the items of plant and equipment that were damaged beyond repair in the fire accident were written off. The net book value of plant and equipment amounted to 31.1 million, has been presented as property and equipment written off in the statement of profit or loss and comprehensive income in NATPET for the year ended December 31, 2018. no further write-offs of property, plant, and equipment during the year ended 31 December 2020 and December 31, 2019, and during the first quarter of 2020, construction works related to the facilities affected by the resulting fire were completed and work began during 2020.

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9. Investments (continued)

9.3 Investment in equity accounted investees (continued)

1. NATPET (continued)

In April 2020, NATPET finalized its final claim with the insurance company related to fire incident compensation where total payments received from insurance company amounting to SR 1,230 million and the remaining amount of this settlement was received, amounting to SR 330 million, which was recognized in the profit or loss in the second quarter of the financial year 2020.

In November 2019, NATPET established 4 companies ("the four companies") with effective shareholding ranging between 99% and 100% and with share capital of SR 500 thousand each (total of SR 2 million). The details of those subsidiaries are as follows:

| Company Name                           | Legal entity                             | CR No.     | Ownership |
|--|--|------------|-----------|
| Mina Company                           | Single Partner Limited Liability Company | 4030369566 | 100%      |
| Fawasel Advanced Chemicals Company     | Limited liability Company                | 4030369672 | 99%       |
| Abraj Altaj Plastic industrial Company | Limited liability Company                | 4030369670 | 99%       |
| Afaq Professional Chemicals Company    | Limited liability Company                | 4030369905 | 99%       |

On January 1, 2020, interest-free long-term loan contracts were signed between NATPET and the four companies with a combined value of SR 559 million so that the four companies can purchase shares in Alujain Holding Corporation and repay the loan on December 31, 2025. The four companies pledged to use at least 95% of the value of the loan for the purpose of buying shares in Alujain Holding Corporation owned by NATPET or directly from the financial market in a private deal or in coordination with NATPET, and that these shares are not to be disposed unless there is a written consent from NATPET. Further, in order to secure and guarantee the payment of the loan amount and all obligations arising as a result of this agreement or any other contracts concluded between the parties and any actions that result in NATPET giving the four companies a loan that is the subject to this contract; the four companies acknowledge to pledge to NATPET all of Alujain Holding Corporation's shares owned for the duration of this agreement. NATPET's current management was unable to verify whether or not the pledging of Alujain Holding Corporation shares held by the four companies was performed as stipulated in the agreement. In exchange for mortgaging shares owned by the four companies and accepting NATPET's directives regarding the shares subject to the agreement, NATPET is obliged to pay the expenses of the four companies amounting to SR 20 Thousand per company per month; and in addition to that, each party will bear any expenses incurred to perform its obligations under the agreement.

Accordingly, SR 559 million were paid to the four companies through bank transfers during the first quarter of 2020, distributed as follows:

| Company Name                        | Loan Value       |
|-------------------------------------|------------------|
| Mina Company                        | SR 5 Million     |
| Fawasil Advanced Chemicals Company  | SR 358.5 Million |
| Abraj Altaj Plastic Company         | SR 108.5 Million |
| Afaq Professional Chemicals Company | SR 87 Million    |

The loan contracts stipulated that these four companies shall have the right to repay these loans early or at the maturity date through their cash resources or through the sale of shares purchased through these loans, and in this case, if the value of the sale of shares is higher than the value of the loan, then it is added to This is an annual commission of 3%, but if the sale value of the shares owned is less than the value of the imposition, the principal amount of the loan is paid in cash. The four companies must pay 75% of the proceeds of any dividend from shares owned by the lender.

The management of NATPET obtained a legal opinion confirming the legitimacy of loan agreements and the rights of NATPET to recover the loan balance on its maturity date. This legal opinion also confirms the aforementioned details contained in the loan agreements, and accordingly the balance of these loans was considered as part of the investment cost in these four companies.

During the first quarter of 2020, multiple changes were made over the ownership of these Entities resulted at the end to lose the whole ownership of those Entities by the Company, and the Company believes that this transfer of the ownership was illegal and they are in the legal process of revoking this disposal and getting back its control and ownership over these Entities. Accordingly, the Company's management believes that the loss of control and ownership over these Entities is temporary and the nature of this investment still considered as subsidiaries, but due to the temporary loss of control as of December 31, 2020 these entities were not consolidated, as IFRS 10 "consolidated Financial Statements" requires to have significant control in order to apply the consolidation method. Subsequently, when the Company get back its ownership and control will then apply the consolidation method.



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9. Investments (continued)

9.3 Investment in equity accounted investees (continued)

1. NATPET (continued)

At the end of the financial year 2019, NATPET invested in Alujain Holding Corporation shares with approximately SR 217 million (7.435 million shares). At the beginning of March 2020, NATPET sold all these shares, for a total consideration of SR 226.8 million and a net profit of SR 3.8 million. On March 10, 2020, a court ruling was issued on Case No. 1438 of 1441 AH, brought by Alujain Holding Corporation against NATPET in the Commercial Court in Jeddah, which resulted in restricting the rights of shares owned in Alujain Holding Corporation by NATPET and any of its subsidiaries, whether owned directly or indirectly, until ownership is corrected and proceeding properly through activating the regular role of the General Assembly of NATPET, according to the Regulations for Companies. Management, after consulting with legal counsel, believes that this ruling includes restricting the rights of these shares transferred by NATPET to others as long as the transfer of shares is in a fictitious and unrealistic manner, which was exercised in the last General Assembly of Alujain Holding Corporation that was held on June 10, 2020 where the assignee was prevented from voting.

The shareholders of NATPET, in its Extraordinary General Assembly held on June 24 2019 approved cash dividends amounting to SR 107 million for the year ended December 31, 2018. These dividends were revoked based on NATPET's Board of Directors recommendation who believed that the possibility of making the dividends would result in damage to banks and insurance companies.

At the end of the financial year, a court ruling was issued on Case No. 7750 of Year 1440 Hijri revoking the General Assembly's decision regarding dividends to the shareholders.

On May 31, 2020, the Ordinary General Assembly was held in NATPET and a new Board of Directors were elected in NATPET for a new session which started on June 1, 2020 for a period of 3 years. The representatives of Alujain Holding Corporation were elected to three seats, the representatives of the General Organization for Social Insurance were elected to two seats, and the rest of the shareholders' representatives were elected to the remaining four seats.

NATPET's consolidated financial statements for the year ended December 31, 2019 was issued on March 24, 2020 (corresponding to 29 Rajab 1441H). Subsequently, this audit report was withdrawn by the auditor of NATPET, and subsequently this audit report was withdrawn by the auditor, and then reissued on 3 September 2020 (corresponding to 15 Muharram 1442H) for the year ended 31 December 2019.

On March 25, 2020, NATPET signed amendment to replace previous contracts with these companies after relinquishing ownership in the companies by selling its shares to a outside party, and NATPET no longer owns any shares in any of these companies.

All terms and conditions remains same related to the original contracts which were signed on 1 January 2020, the Entities are obliged to repay the loan as follows:

- 1-Cash repayment of the loans on 31 December 2025,
- 2-Paying the loan value from the proceeds by selling the shares owned by the companies that bought the shares for the value of the loan.

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9. Investments (continued)

9.3 Investment in equity accounted investees (continued)

1. NATPET (continued)

The summarised financial results of NATPET are as follows:

Summarized statement of financial position

|   | December 31, 2020 | December 31, 2019 |
|---|-------------------|-------------------|
| <b>Current assets</b>   |                   |                   |
| Cash and cash equivalents   | 246,659           | 439,494           |
| Other current assets  | 647,660           | 479,891           |
| <b>Total current assets</b>   | <b>894,319</b>    | <b>919,385</b>    |
| <b>Non-current assets</b>   | <b>2,590,372</b>  | <b>2,322,111</b>  |
| <b>Total assets</b>   | <b>3,484,691</b>  | <b>3,241,496</b>  |
| <b>Current liabilities</b>  |                   |                   |
| Financial liabilities (excluding trade and other payables and provisions) | 83,811            | 316,175           |
| Other current liabilities   | 417,470           | 179,566           |
| <b>Total current liabilities</b>  | <b>501,281</b>    | <b>495,741</b>    |
| <b>Non-current liabilities</b>  |                   |                   |
| Financial liabilities   | 51,387            | 130,074           |
| Other non-current liabilities   | 101,911           | 93,180            |
| <b>Total non-current liabilities</b>                                      | <b>153,298</b>    | <b>223,254</b>    |
| <b>Total liabilities</b>  | <b>654,579</b>    | <b>718,995</b>    |
| <b>Net assets</b>   | <b>2,830,112</b>  | <b>2,522,501</b>  |

A reconciliation to the carrying amount to the net assets of NATPET is as follows:

|  | December 31, 2020 | December 31, 2019 |
|--|-------------------|-------------------|
| Opening net assets   | 2,522,501         | 2,171,355         |
| Profit for the year  | 411,523           | 377,100           |
| Other Comprehensive loss for the year  | 3,088             | (25,954)          |
| Dividance  | (107,000)         | -                 |
|  | <b>2,830,112</b>  | <b>2,522,501</b>  |
| Eliminate the unrealized gains from NATPET's investment in Alujain Holding Corporation | -                 | (5,896)           |
|  | <b>2,830,112</b>  | <b>2,516,605</b>  |
| Group's share in % (rounded to one decimal)  | 57.4%             | 57.4%             |
| Group's share in net assets (computed on absolute share)                               | 1,624,469         | 1,444,518         |
| Inter-group adjustment   | 995               | 995               |
|  | <b>1,625,464</b>  | <b>1,445,513</b>  |

Summary of statements of profit or loss and comprehensive income of NATPET is as follows:

|   | For the year ended December 31, |                |
|---|---------------------------------|----------------|
|   | 2020                            | 2019           |
| Revenues  | 1,173,701                       | 109,237        |
| Depreciation and amortization   | (205,774)                       | (173,148)      |
| Financial charges   | (20,428)                        | (27,608)       |
| Zakat   | (12,950)                        | (16,514)       |
| Profit for continuing operations  | 411,523                         | 377,100        |
| Other Comprehensive Loss  | 3,088                           | (25,954)       |
| Eliminate the unrealized gains from NATPET's investment in Alujain Holding Corporation Note (9) | -                               | (5,896)        |
| <b>Total comprehensive income for the year</b>  | <b>414,611</b>                  | <b>345,250</b> |

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10 Trade and other receivables, net

|                                    | December 31, 2020 | December 31, 2019 |
|------------------------------------|-------------------|-------------------|
| Trade receivable                   | 2,525             | 3,688             |
| Due from related parties (Note 27) | 41,504            | 86                |
|                                    | <u>44,029</u>     | <u>3,774</u>      |
| Less: provision for doubtful debts | (510)             | (510)             |
|                                    | <u>43,519</u>     | <u>3,264</u>      |

Due to the short-term nature of the trade and other receivables, their carrying amount is considered to be the same as their fair value.

Other receivables generally arise from transactions outside the usual operating activities of the Group.

The individually impaired receivables are more than one year past due and mainly relate to one trade customer. A provision is recognized for amounts not expected to be recovered (also see Note 29).

11 Prepayments and other current assets

|                                       | December 31, 2020 | December 31, 2019 |
|---------------------------------------|-------------------|-------------------|
| Prepayments                           | 224               | 107               |
| Deposits                              | 8                 | 8                 |
| Advances to employees                 | 565               | 575               |
| Advances to suppliers and contractors | 461               | 864               |
|                                       | <u>1,258</u>      | <u>1,554</u>      |

12 Inventories

|  | December 31, 2020 | December 31, 2019 |
|--|-------------------|-------------------|
| Raw materials                              | 1,116             | 1,711             |
| Packaging and labels                       | 1,223             | 1,769             |
| Finished Goods                             | 998               | 809               |
| Consumable spares                          | 165               | 165               |
| Material in progress                       | -                 | 23                |
| Less: provision for inventory obsolescence | -                 | (100)             |
|  | <u>3,502</u>      | <u>4,377</u>      |

The movement in provision for inventory obsolescence is as follows:

|                           | 2020     | 2019      |
|---------------------------|----------|-----------|
| Balance as at January 1   | 100      | 10        |
| Additions during the year | -        | -         |
| Writtoff                  | (100)    | -         |
| Balance as at December 31 | <u>-</u> | <u>10</u> |

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13 Cash and cash equivalents

|   | December 31, 2020 | December 31, 2019 |
|---|-------------------|-------------------|
| Cash in hand                            | 41                | 34                |
| Cash at banks                           | 5,438             | 5,751             |
| Short term deposits - murabaha deposits | -                 | 7,000             |
|   | <u>5,479</u>      | <u>12,785</u>     |

Cash at banks and short-term deposits are placed with commercial banks. Short term deposits yield financial income at variable commercial rates and have a maturity of less than 3 months from the date of deposit placement.

14 Share capital

The Parent Company's authorized, issued and fully paid share capital is Saudi Riyals 692 million which is divided into 69.2 million shares of Saudi Riyals 10 par value each. The company may decide to stop this transfer when the reserve reaches 30% of the capital.

15 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Parent Company is required to transfer 10% of the net income for the year to a statutory reserve until it equals to 30% of its share capital. The company may decide to stop this transfer when the reserve reaches 30% of the capital. This reserve is not available for distribution

16 Employees defined benefit liabilities

16.1 General description of the plan

The Group's obligation under employee end of service benefit plan is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurements of the defined benefit liability, which comprise actuarial gains and losses are recognized immediately in the consolidated statement of comprehensive income. The Group determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plans are recognized in personnel expenses in the consolidated statement of income.

|                             | December 31, 2020 | December 31, 2019 |
|-----------------------------|-------------------|-------------------|
| Defined benefits obligation | <u>3,079</u>      | <u>3,231</u>      |

The following table summarizes the components of the net benefit expense recognized in the statement of comprehensive income and amounts recognized in the consolidated statement of financial position.

Changes in the present value of defined benefit obligation are as follows:

|  | 2020         | 2019         |
|--|--------------|--------------|
| As at January 1                          | 3,231        | 4,370        |
| Current service cost                     | 397          | 418          |
| Financial charges                        | 110          | 193          |
| Benefits paid                            | (701)        | (435)        |
| Actuarial gain on the obligation         |              |              |
| Gain of changes in financial assumptions | 185          | (640)        |
| Effect of experience adjustments         | (143)        | (675)        |
| As at December 31                        | <u>3,079</u> | <u>3,231</u> |

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16 Employees defined benefit liabilities (Continued)

16.1 General description of the plan (Continued)

Net benefit expense (recognized in the consolidated statement of income statement) is as shown below:

|                      | For the year ended December 31, |      |
|----------------------|---------------------------------|------|
|                      | 2020                            | 2019 |
| Current service cost | 397                             | 418  |
| Financial charges    | 110                             | 193  |
| Benefit expense      | 507                             | 611  |

Net actuarial loss on the obligation for the year is as follows:

|  | For the year ended December 31, |         |
|--|---------------------------------|---------|
|  | 2020                            | 2019    |
| Loss on changes in financial assumptions | 185                             | (640)   |
| Experience adjustment                    | (143)                           | (675)   |
| Actuarial loss gain on the obligation    | 42                              | (1,315) |

The expected maturity analysis of undiscounted employee benefits obligations is as follows:

|              | December 31, 2020 | December 31, 2019 |
|--------------|-------------------|-------------------|
| 1 - 5 years  | 1,745             | 1,977             |
| Over 5 years | 862               | 806               |

16.2 Actuarial assumptions

Principal assumptions used in determining defined benefit obligation for the Group is as shown below:

|   | December 31, 2020 | December 31, 2019 |
|---|-------------------|-------------------|
| Discount rate                                   | 2,7% - 3,6%       | 3.5% - 3.6%       |
| Future salary growth                            | 5%                | 5%                |
| Employee turnover*                              | 0% - 20%          | 2% - 20%          |
| Duration of the defined benefit plan obligation | 12,3% - 16,7%     | 13.2 - 14.2       |

\* Based on attrition rate assumption for each age band.

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation is shown below:

*Discount rate:*

|                              | December 31, 2020 | December 31, 2019 |
|------------------------------|-------------------|-------------------|
| 1% increase in discount rate | (294)             | (308)             |
| 1% decrease in discount rate | 356               | 368               |

*Future salary growth:*

|                                       | December 31, 2020 | December 31, 2019 |
|---------------------------------------|-------------------|-------------------|
| 1% increase in salary escalation rate | 344               | 359               |
| 1% decrease in salary escalation rate | (321)             | (307)             |

*Mortality rate:*

|                                 | December 31, 2020 | December 31, 2019 |
|---------------------------------|-------------------|-------------------|
| Mortality Rate: Increase by 20% | (3)               | (2)               |
| Mortality Rate: Decrease by 20% | 3                 | 3                 |

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting year. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior year.

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17- Short term facilities

During 2019 The Group has obtained short term facilities from a local commercial bank amounting to SR 30 million for the purpose of financing working capital and operating expenses. The outstanding short term facilities as of December 31, 2020, nill (31 December 2019: SR 4,5 million). As of December 2020, the Group has unutilized facilities nill (31 December 2019: SR 25,5 million). The Group provided guarantees against the facilities as well as to provide a promissory note amounting to SR 33 million.

18 Trade and other payables

|                  | December 31, 2020 | December 31, 2019 |
|------------------|-------------------|-------------------|
| Trade payables   | 1,538             | 2,307             |
| Dividend payable | 692               | 692               |
| Other payable    | 486               | 485               |
|                  | <u>2,716</u>      | <u>3,484</u>      |

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

19 Accrued and other current liabilities

|                               | December 31, 2020 | December 31, 2019 |
|-------------------------------|-------------------|-------------------|
| Accrued expenses              | 2,958             | 1,067             |
| Accrued professional fees     | 793               | 1,343             |
| Accrued employee related cost | 115               | 374               |
| VAT payable                   | 211               | 120               |
| Other                         | 1,181             | 908               |
|                               | <u>5,258</u>      | <u>3,812</u>      |

20 Zakat

20.1 Components of Zakat base

The Company and its subsidiaries file separate Zakat declarations which are filed on unconsolidated basis. The significant components of the Zakat base of each company under Zakat and income tax regulation are principally comprised of shareholders' equity, provisions at the beginning of year, adjusted income, less deductions for the adjusted net book value of property and equipment, and investments.

20.2 Provision for Zakat

The movement in the Group's Zakat payable balance is as follows:

|                          | December 31, 2020 | December 31, 2019 |
|--------------------------|-------------------|-------------------|
| January 1                | 1,087             | 1,724             |
| Provided during the year | 1,789             | 840               |
| Adjustment - prior year  | 356               | 14,068            |
| Paid during the year     | (1,607)           | (15,545)          |
| December 31              | <u>1,625</u>      | <u>1,087</u>      |

20.3 Status of assessments

The Parent Company – Alujain Holding Corporation (a Saudi Joint Stock Company)

During the year 2019, an agreement between the parent Company and the General Authority of Zakat and Tax (the "GAZT") was signed to settle Zakat assessments differences of SR 32.58 million for the year 2003 to 2016. The agreement provides for the settlement of differences of Zakat assessments by paying SR 14.5 million during the year as a settlement to close the claims from the year 2003 to 2016 and SR 14.5 million was paid after the bank guarantee amounting SR 28.485 million got released. During January 2020, the differences in Zakat assessments issued by GAZT for the year 2018 were paid in the amount of SR 64 thounsad, and the final Zakat certificate was obtained until 2018.

The parent company has submitted its declaration for the year ended 31 December 2019. The assessment for the year 2019 is currently under review by GAZT.

Zain Industries Company

Zain has submitted its Zakat returns up to year ended 31 December 2019, settled Zakat as per the return and obtained the required certificates and officials receipts. The Company finalized its assessments up to the year 2018. The final assessment for 2019 is currently under review by GAZT.

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21 Cost of revenues

|                         | 2020          | 2019          |
|-------------------------|---------------|---------------|
| Cost of materials       | 7,798         | 12,881        |
| Depreciation            | 3,105         | 3,061         |
| Employee cost           | 1,174         | 1,160         |
| Rent and utilities      | 214           | 251           |
| Repairs and maintenance | 309           | 218           |
| Other overheads         | 439           | 458           |
|                         | <u>13,039</u> | <u>18,029</u> |

22 Selling and marketing expenses

|                          | 2020         | 2019         |
|--------------------------|--------------|--------------|
| Employee cost            | 1,220        | 1,584        |
| Distribution and freight | 963          | 1,350        |
| Rent                     | 49           | 50           |
| Utilities and services   | 36           | 47           |
| Other                    | 30           | 22           |
|                          | <u>2,298</u> | <u>3,053</u> |

23 General and administrative expenses

|                                      | 2020          | 2019          |
|--------------------------------------|---------------|---------------|
| Employee cost and other compensation | 12,909        | 10,844        |
| Legal and professional fees          | 10,089        | 1,577         |
| Public relation and publicity        | 638           | 658           |
| Right of use assets depreciation     | 333           | 597           |
| Meetings, seminars and conferences   | 239           | 135           |
| Depreciation                         | 203           | 51            |
| Utilities and services               | 86            | 87            |
| Travel and accommodation             | 85            | 93            |
| Repairs and maintenance              | 55            | 37            |
| Subscriptions and office supplies    | 53            | 31            |
| Information technology               | 44            | 61            |
| Rents                                | -             | 80            |
| Other                                | 557           | 111           |
|                                      | <u>25,291</u> | <u>14,362</u> |

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24 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net income for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the net profit (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

There has been no item of dilution affecting the weighted average number of shares as at December 31, 2020 (December 31, 2019: Nil).

|  | 2020    | 2019    |
|--|---------|---------|
| Income for the year attributable to ordinary equity holders  | 207,287 | 191,156 |
| Weighted average number of ordinary shares ('000)  | 69,200  | 69,200  |
| Basic and diluted earnings per share attributable to ordinary equity holders of the Parent Company | 3.00    | 2.76    |

25 Segment reporting

A reporting segment is a group of assets and operations engaged in revenue producing activities, results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment, and financial information for which is separately available.

The Group's President and Board of Directors monitor the results of the Group's operations for the purpose of making decisions about resource allocation and performance assessment. They are collectively the chief operating decision makers (CODM) for the Group.

In 2017, the Group acquired controlling interest in Zain which is engaged in the manufacturing of home care products. Subsequent to such acquisition, CODM now reviews the operations principally in the following two operating segments:

- Investment made by the Group in the Company engaged in the manufacturing of petrochemical products; and
- Manufacturing of home-care products.

Certain expense related to the Parent Company which are not directly attributable to the segments are not allocated by the CODM.

Selected financial information summarized by the above operating segments is as follows:

|   | Investments | Manufacturing<br>home-care<br>products | Unallocated | Total    |
|---|-------------|--|-------------|----------|
| 31 December 2020  |             |  |             |          |
| Revenues  | -           | 14,378                                 | -           | 14,378   |
| Cost of sales excluding depreciation                    | -           | (9,539)                                | -           | (9,539)  |
| Depreciation  | -           | (3,500)                                | (368)       | (3,868)  |
| Share in net profit of an equity<br>accounted investee* | 236,212     | -                                      | -           | 236,212  |
| Selling and marketing expenses                          | -           | (2,298)                                | -           | (2,298)  |
| General and administration expenses                     | -           | (2,790)                                | (22,133)    | (24,923) |
| Finance cost  | -           | (75)                                   | (513)       | (588)    |
| Other income  | -           | 109                                    | (103)       | 6        |
| Segment results (profit before Zakat)                   | 236,212     | (3,715)                                | (23,117)    | 209,380  |



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25 Segment reporting (Continued)

|   | Investments | Manufacturing<br>home-care<br>products | Unallocated | Total    |
|---|-------------|--|-------------|----------|
| 31 December 2019  |             |  |             |          |
| Revenues  | -           | 23,730                                 | -           | 23,730   |
| Cost of sales excluding depreciation                    | -           | (14,762)                               | -           | (14,762) |
| Depreciation  | -           | (3,267)                                | (442)       | (3,709)  |
| Share in net profit of an equity<br>accounted investee* | 216,454     | -                                      | -           | 216,454  |
| Selling and marketing expenses                          | -           | (3,053)                                | -           | (3,053)  |
| General and administration expenses                     | -           | (2,787)                                | (11,133)    | (13,920) |
| Finance cost  | -           | (83)                                   | (15)        | (98)     |
| Other income  | -           | 1,283                                  | 149         | 1,432    |
| Segment results (profit before Zakat)                   | 216,454     | 1,061                                  | (11,441)    | 206,074  |

\* Also see Note 9 for financial results of equity accounted investees.

| Total assets and liabilities as at<br>December 31, 2020 | Investments | Manufacturing<br>home-care<br>products | Unallocated | Total     |
|---|-------------|--|-------------|-----------|
| Total assets  | 1,625,464   | 33,323                                 | 46,266      | 1,705,053 |
| Total liabilities                                       | -           | 5,597                                  | 8,342       | 13,939    |

| Total assets and liabilities as at<br>December 31, 2019 | Investments | Manufacturing<br>home-care<br>products | Unallocated | Total     |
|---|-------------|--|-------------|-----------|
| Total assets  | 1,445,513   | 31,461                                 | 19,748      | 1,496,722 |
| Total liabilities                                       | -           | 6,745                                  | 11,212      | 17,957    |

The Group's local and export sales during the year is as follows:

| Geographic information          | 2020   | 2019   |
|---------------------------------|--------|--------|
| Revenue from external customers |        |        |
| Local sales                     | 14,378 | 23,730 |
| Total                           | 14,378 | 23,730 |

The revenue information above is based on the locations of the customers. The non-current assets of the Group are based in the Kingdom of Saudi Arabia.

26 Operating leases

The Group has various operating leases for its office and vehicles. Rental expenses for the year ended December 31, 2020 were SR 605 thousand (2019: SR 670 thousand).

The Group has entered into certain auto-renewal rental contracts in respect of office premises. Non-cancellable portion of such contracts is considered to be one year.

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27 Related party transactions and balances

Related party transactions

Parent entities

Key management compensation

Short-term employee benefits

Termination benefits

|  | Year ended December 31, |            |
|--|-------------------------|------------|
|  | 2020                    | 2019       |
|  | 757                     | 909        |
|  | 95                      | 69         |
|  | <u>852</u>              | <u>978</u> |

Directors and other committees' remuneration and related expenses

Compensation of the executive directors

Board of directors' remuneration

Board of Directors' and related committees' attendance fees and expenses

|  | Year ended December 31, |              |
|--|-------------------------|--------------|
|  | 2020                    | 2019         |
|  | 631                     | 919          |
|  | 5,329                   | 2,450        |
|  | <u>2,133</u>            | <u>1,547</u> |
|  | <u>8,093</u>            | <u>4,916</u> |

The following table provides the total amount of material transactions that have been entered into with related parties:

| Related Party | Nature of transaction | Relation          | 2020   | 2019 |
|---------------|-----------------------|-------------------|--------|------|
| NATPET        | Dividend distribution | Affiliate Company | 61,417 | -    |

Terms and conditions of transactions with related parties

Transaction with the related parties are undertaken at mutually agreed prices and are approved by the management. Outstanding balances as at December 31, 2020 are unsecured, interest free and settled in cash. For the year ended December 31, 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

Related party balances

| Related party   | Relationship       | 2020          | 2019       |
|---|--------------------|---------------|------------|
| Included within "trade and other receivables"           |                    |               |            |
| i) Amounts due from related party                       |                    |               |            |
| NATPET  | Affiliate          | 41,504        | 86         |
|   |                    | <u>41,504</u> | <u>86</u>  |
| Included within "accrued and other current liabilities" |                    |               |            |
| ii) Amounts due to related party                        |                    |               |            |
| Board of directors                                      | Board of directors | 108           | 279        |
|   |                    | <u>108</u>    | <u>279</u> |

28 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value, of a liability reflects its non-performance risk.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2020 and December 31, 2019, all of the Group's financial assets are currently classified as loans and receivables and measured at amortized cost. Further, all of Group's financial liabilities are currently classified as payables and their fair values are estimated to approximate their carrying values.

Consolidated financial statements do not include any financial instruments at December 31, 2020 and December 31, 2019. The Group has an AFS investment which is fully impaired at December 31, 2020 and December 31, 2019.

29 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by senior management under policies approved by the board of directors. The most important types of risk are currency risk, fair value and cash flow interest rate risk, price risk, credit risk and liquidity risk.

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is represented by: interest rate risk, currency risk and other price risk.

Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated - for example, changes in interest rate and changes in foreign currency rates.

i. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. During the year, the Group did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars and accordingly the Group does not have material exposure to other foreign currencies at the year ended December 31, 2020. Further, since the Saudi Riyal is pegged to the US dollar, the Group is not exposed to significant foreign currency risk.

ii. Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest bearing financial instruments.

At the reporting date, there were no interest bearing financial liabilities. Interest bearing financial assets at balance sheet date comprise of short term deposits which are at fixed interest rates; therefore, has no exposure to cash flow interest rate risk and fair value interest rate risk.

Trade and other receivables, other current assets and trade and other current liabilities are interest free and with a term of less than one year, so it is assumed that there is no interest rate risk associated with these financial assets.

Short-term deposits yield market rate of interest.

iii. Price risk

The Groups assets and liabilities are not exposed to any significant price risk.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk except for trade receivables.

To reduce exposure to credit risk the Group has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. Outstanding customer receivables are regularly monitored.

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29 Financial risk management (continued)

b) Credit risk (continued)

The Group's maximum exposure to credit risk at the reporting date is as follows;

|                             | 2020         | 2019          |
|-----------------------------|--------------|---------------|
| Financial assets            |              |               |
| Trade and other receivables | 2,525        | 3,688         |
| Cash and cash equivalents   | 5,479        | 12,751        |
|                             | <u>8,004</u> | <u>16,439</u> |

Trade receivables are due from customers who have been assessed for credit worthiness prior to the execution of relevant contracts. Cash at bank and short term deposits are placed with local banks having sound credit rating. There was no past due or impaired receivables from related parties.

The fair value of cash and cash equivalents at December 31, 2020 and 2019 approximates the carrying value.

Analysis by credit quality of financial assets is as follows:

|  | 2020         | 2019         |
|--|--------------|--------------|
| Neither past due not impaired:                           | 1,250        | 2,088        |
|  | <u>1,250</u> | <u>2,088</u> |
| Past due but not impaired:                               |              |              |
| - Less than 180 days overdue                             | 253          | 780          |
| - 180 to 360 days overdue                                | 1,022        | 820          |
| Total past due but not impaired                          | <u>1,275</u> | <u>1,600</u> |
| Individually determined to be impaired (gross)           |              |              |
| - 180 to 360 days overdue                                | -            | -            |
| - More than 360 days                                     | 510          | 510          |
| Total individually determined to be impaired             | <u>510</u>   | <u>510</u>   |
| Less: provision for doubtful debts                       | (510)        | (510)        |
| Total trade receivables, net of provision for impairment | <u>2,525</u> | <u>3,688</u> |

Cash at bank and short-term deposits, neither past due nor impaired (Fitch's ratings of respective counterparties):

|  | 2020         | 2019          |
|--|--------------|---------------|
| A-   | 5,438        | 5,751         |
| BBB+                                       | -            | 7,000         |
| Total cash at bank and short-term deposits | <u>5,438</u> | <u>12,751</u> |

Credit risk with respect to cash at bank and short-term deposits is not significant as such balances are kept with multiple reputable local and international banks which reduces the concentration of such risk.

c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets.

A summary table with maturity of financial assets and liabilities presented below is used by key management personnel to manage liquidity risks.

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(A Saudi Joint Stock Company)

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For The Year Ended 31 December 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

29 Financial risk management (continued)

c) Liquidity risk (continued)

The following is contractual undiscounted maturity analysis of the financial liabilities of the Group as at December 31, 2020.

|  | Demand<br>less than 1<br>month | From 1<br>month to 3<br>months | From 3<br>to 12<br>months | From 1<br>year to 2<br>years | From 2 to<br>3 years | Total |
|--|--------------------------------|--------------------------------|---------------------------|------------------------------|----------------------|-------|
| 2020                                     |                                |                                |                           |                              |                      |       |
| Accounts payable                         | 754                            | 758                            | 26                        | -                            | -                    | 1,538 |
| Accrued and other<br>current liabilities | 293                            | 618                            | 3,476                     | -                            | 871                  | 5,258 |
|  | 1,047                          | 1,376                          | 3,502                     | -                            | 871                  | 6,796 |
| 2019                                     |                                |                                |                           |                              |                      |       |
| Accounts payable                         | 794                            | 1,496                          | 17                        | -                            | -                    | 2,307 |
| Accrued and other<br>current liabilities | 494                            | 526                            | 1,921                     | -                            | 443                  | 3,384 |
|  | 1,288                          | 2,022                          | 1,938                     | -                            | 443                  | 5,691 |

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

d) Capital risk management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value.

The Group considers share capital, retained earnings and statutory reserve as Group's capital. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

30 Subsequent events

From the administration's point of view, there are no significant effects on its operations due to the spread of the emerging corona virus (Covid-19) in the early 2020s and its spread in several geographical regions around the world.

Management and those responsible for governance will continue to monitor the situation and provide stakeholders with developments as required by regulations and regulations. In the event of any material changes in the current conditions, additional disclosures will be made or amendments will be approved in the company's financial statements- prepare for special purpose for the period ended December 31, 2021.

31 Contingencies and commitments

The company has no contingent liabilities as of December 31, 2020. And December 31, 2019.

32 Lawsuits

As of December 31, 2020, and as per the group's lawyer opinion date 03 February 2021 there are no cases brought against the group that might cause material potential obligations.

On 9 March 2020 (corresponding to 14 Rajab 1441), the management of Alujain Holding Corporation filed a liability lawsuit against the members of former Board of Directors, who were removed on 14 June 2017, at the competent judicial authorities in the Commercial Court in Jeddah.

33 Approval of consolidated financial statements

The consolidated financial statements including notes and other explanatory information was approved and authorised for issue by the Board of Directors on 28 February 2021 (corresponding to 16 Rajab 1442H).