

البند رقم (2) Item number

تقرير مراجع الحسابات عن العام المالي  
المنتهي في 31 ديسمبر 2020م

The company's auditor's report for the fiscal  
year ending on 31/12/2020



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders

**JAZAN ENERGY AND DEVELOPMENT COMPANY (JAZADCO)**  
(A Saudi Joint Stock Company)

### Opinion

We have audited the consolidated financial statements of **JAZAN ENERGY AND DEVELOPMENT COMPANY (JAZADCO)**, a Saudi joint-stock company, ("the Company"), and its subsidiary (together "Group") which comprise the consolidated statement of financial position as of 31 December 2020, and the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes accompanying to the consolidated financial statements and summary of the 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 of 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Auditors and Accountants.

### Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing that endorsed in the Kingdom of Saudi Arabia. Our responsibilities under these 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 Group's consolidated financial statements and we have fulfilled our 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.

### Key Audit Matters

Key Audit Matters (KAM) are defined as "Those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and forming our opinion thereon, and we do not provide a separate opinion on these matters. Below is an explanation of each key audit matters how to address it:

Key Audit Matter	How we addressed the matter during our audit
<b>Investment properties</b> Investment properties represent a substantial percentage of the total assets of the company as of the date of the consolidated financial statements, reached 232 million Saudi riyals (31 December 2019: 238 million Saudi riyals). Investment properties are measured at cost less accumulated depreciation and impairment, if any, the group's management determines the fair value of its properties for disclosure and impairment testing purposes on the reporting date. The valuations were performed by an independent external valuer appointed by the group. The valuation of real estate depends largely on estimates and assumptions such as rent value and rates works, discount rates, market knowledge, and historical transactions. Given the importance and complexity of the investment real estate appraisal process and its heavy reliance on a set of estimates and assumptions, we consider this to be a major audit matter.	We have performed the following procedures regarding the investment properties: <ul style="list-style-type: none"> <li>Evaluating the policies and the reasonableness of the accounting estimates used by the group.</li> <li>Evaluating the accuracy of the input used by the external evaluator.</li> <li>Assessing the objectivity, independence, and expertise of the external valuer, reviewing the assumptions used, and evaluating the methodology used by the expert.</li> <li>We conducted an assessment of the appropriateness of the disclosures related to the investment properties of the group in Note No. (7) of the notes about the consolidated financial statements.</li> </ul>



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To\ the Shareholders

### JAZAN ENERGY AND DEVELOPMENT COMPANY (JAZADCO)

(A Saudi Joint Stock Company)

#### Key Audit Matters (Continued)

Key Audit Matter	How we addressed the matter during our audit
<b>Revenues</b> Revenue is an important component of a Group's performance and profitability. Auditing standards state the importance of assessing risks of overriding internal controls by the management in revenue recognition. Such overriding could lead to inherent risks by recognizing overstated revenues to increase profitability. Given the importance of revenue amount and risks inherent in overstating revenue more than its actual value, revenue recognition is considered a key audit matter.	<p>Our audit procedures included, among other things, based on our judgment:</p> <ul style="list-style-type: none"> <li>• Test the control procedures and their operational effectiveness related to revenue recognition and accounts receivable. Also, cut-of procedures to ensure revenues are recorded in the correct period.</li> <li>• Sample testing of the sales transaction, and verification of the proper implementation of the revenue recognition policy.</li> <li>• Conducting some analytical procedures to verify the validity of the proven revenues.</li> <li>• The adequacy of the Group's disclosures included in the accompanying consolidated financial statements regarding revenues and their compliance with the relevant applicable standards. Note No. (25).</li> </ul>

#### Other Information

Management is responsible for the other information. The other information includes the information included in the group's annual report but does not include the consolidated financial statements and our audit report thereon. It is expected that the annual report will be available to us after the date of this report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

About our audit of the consolidated financial statements, it is our responsibility to read this other information specified above when it becomes available, and when we do so, we take into account whether that other information is materially inconsistent with the consolidated financial statements or with our knowledge that was acquired during the audit or appears on it. Other than that, it contains fundamental errors. When we read the annual report, and we realize that there are fundamental errors in this information, we are required to report this fact to those responsible for governance.

#### Other Matters

-The financial statements of JAZAN ENERGY AND DEVELOPMENT COMPANY (JAZADCO) for the year ended 31 December 2019 have been audited by another auditor who expressed an unqualified opinion on those financial statements on 24 Rajab 1441 (corresponding to 19 March 2020).

#### 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 IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Auditors and Accountants and Regulations for Companies and the Company's by-laws and such internal control as management determines is necessary to enable the preparation of the consolidated 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 by the Board of directors are responsible for overseeing the group's financial reporting process.



**INDEPENDENT AUDITOR'S REPORT (CONTINUED)****To\ the Shareholders****JAZAN ENERGY AND DEVELOPMENT COMPANY (JAZADCO)****(A Saudi Joint Stock Company)****Auditor's Responsibility 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the internal control of the Group.
- 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 material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient and 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 execution of the Group review process. We remain solely responsible for the 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 controls that we identify during our audit.

We also provided 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.

Among the matters that We communicate with those charged with governance are those matters that were of the utmost importance when auditing the consolidated financial statements for the current year, and accordingly they are the main matters for the audit, and we explain these matters in our report except for what laws or legislation prohibit public disclosure about, or in cases of very rare, we consider that the matter should not be reported in our report because it is reasonably expected that the negative consequences of doing so will outweigh the public interest benefits of that reporting.

**Allied Accountants****Dr Abdelgadir Bannaga & Partners Co.**

Mohammed Bin Farhan Bin Nader

License No. 435

Riyadh, Saudi Arabia

15 Shaaban 1442 (28 March 2021)

