

## Arabian Pipes Company

### Thirty-third Ordinary General Assembly Meeting

#### (First meeting)

**Meeting place** Holiday Inn Riyadh - Izdihar - via modern technology

**Meeting day:** Tuesday 24 Dhu al-Qi`dah 1444 AH corresponding to June13, 2023 AD

**Meeting time:** 8:00 PM

## Agenda of the Ordinary General Assembly Meeting

- 1) Review and discuss the financial statements for the fiscal year ending on December 31, 2022.
- 2) Review & discuss the Board of Directors' report for the fiscal year ending on December 31, 2022.
- 3) Voting on the auditor report on the Company's accounts for the fiscal year ending on December 31, 2022. discuss it.
- 4) Voting on the appointment of the company's external Auditor, among the recommended candidates, by the Audit Committee, to examine, review and audit the financial statements for Q2, Q3, annual statements for the fiscal year 2023, the Q1 of the year 2024 and determine its fee .

## Article 1

Review and discuss the financial statements for the fiscal year ending on December 31, 2022.

To view the financial statements for the year ending on December 31, 2022 AD, please see the company's website on on Tadawul website or scan the barcode below:



## Article 2

Review & discuss the Board of Directors' report for the fiscal year ending on December 31, 2022.

To view and read the report of the Board of Directors for the year ending on December 31, 2022 AD, please see the company's website on Tadawul website or scan the barcode below:



## Article 3

Voting on the auditor report on the Company's accounts for the fiscal year ending on December 31, 2022. discuss it.

## Independent Auditor's Report

To the **Shareholders of Arabian Pipes Company**  
(A Saudi Joint Stock Company)

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of **Arabian Pipes Company** (A Saudi Joint Stock Company) ("The company"), which comprise the statement of financial position as at December 31, 2022, and the statement of profit or loss, and comprehensive income, changes in shareholders' equity and cash flows for the year then ended, which include the notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements presents fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and professional Accountants ("SOCPA").

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have also 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.

#### Emphasis of matter

Refer to note no. (2/4), which is related to going concern the company's current liabilities exceeded its current assets by SAR 154.5 million as at December 31, 2022 (December 31, 2021: SAR 247.9 million), and the company has negative cash flows from operating activities amounting to SAR 43.5 million as at December 31, 2022. These circumstances indicate the existence of a material uncertainty that may cast doubt on the company's ability to continue as a going concern.

On July 17, 2022, the Board of Directors issued a recommendation to increase the capital by an amount of SAR 150 million, this recommendation is subject to the approval of the relevant regulatory authorities and the extraordinary general assembly that has not held until the date of approval of the accompanying financial statements by the company's board of directors.

The company has appointed an "independent" specialized consulting office to prepare a strategic business plan for the company for the next five years (2023-2027). The study showed an improvement in the indicators and performance of the company for this period, and this gives an indication of the company's ability to continue on the basis of the going concern principle. Accordingly, it was approved by the Board of Directors. Accordingly, the financial statements were prepared on the basis of going concern and do not include any adjustments that may be required if the company is unable to continue on the basis of the going concern principle.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter, a description of how our audit addressed the matter is set out below:



**Independent Auditor's Report (continued)**

**Key Audit Matters (continued)**

Key Audit Matters	Procedures taken towards the Key Audit Matters
<p><b>Inventory:</b> Inventory is considered a key audit matter due to the nature of the company's activity, which depends mainly on the inventory in generating revenue and its impact on the company's business results. As at December 31, 2022, the company's inventory balance amounted to SAR 217.6 million (December 31, 2021: SAR 142.1 million), which exceeds 53.7% of the total current assets and 28.4% of the total assets of the company (December 31, 2021: 84% of the total current assets and 25.3 % of the total assets), and given the importance of the inventory balance, valuations, and assumptions related to its obsolescence and decline in its value, this matter was considered a key audit matter.  Please refer to note No. 3-12 for the accounting policies and note No. 6 for the relevant disclosure on the accompanying financial statements.</p>	<p>We have performed the following procedures regarding existence and valuation of inventory balance:</p> <ul style="list-style-type: none"> <li>- Attending the physical inventory count held by the company.</li> <li>- Evaluating the design and effectiveness of internal control procedures for the inventory accounting cycle.</li> <li>- Evaluating the appropriateness and adequacy of disclosures related to inventory in the financial statements.</li> <li>- Testing the valuation of inventory measurement at cost price or net realizable value, whichever is lower.</li> </ul>
<p><b>Revenue recognition:</b> During the year ended 31 December 2022, company's revenue amounted to SAR 531.6 million(December 31,2021:SAR 388.7 million). The company continues to be under pressure to meet goals and expectations which may lead to misstatements in revenue. Revenue recognition is a key audit matter because there is a risk that management may override controls to misrepresent revenue transactions.  Please refer to note No. 3-23 for the accounting policies and note No. 20 for the relevant disclosure on the accompanying financial statements.</p>	<p>We have performed the following procedures regarding revenue recognition:</p> <ul style="list-style-type: none"> <li>- Evaluating the appropriateness of the accounting policies related to the revenue recognition of the company by taking into consideration the requirements of IFRS 15 "Revenue from Contracts with Clients".</li> <li>- Evaluating the design, implementation and testing of the operational effectiveness of the company's control procedures, including the control procedures to prevent fraud when recognizing revenue in accordance with the company's policy.</li> <li>- Testing sales transactions, on a sample basis, and perform cut-off tests of revenue made at the beginning and end of the year to assess whether the revenue has been recognized in the correct period.</li> <li>- - Testing sales transactions, on a sample basis, and verify the supporting documents, which included delivery notes signed by customers, to ensure the accuracy and validity of revenue recognition</li> </ul>

**Other information included in the company's annual report for the year ended 31 December 2022.**

Management is responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 31 December 2022, other than the financial statements and the auditor's report thereon, which is expected to be made available to us after the data of this audit's report.



**Independent Auditor's Report (Continued)****Other information included in the company's annual report for the year ended 31 December 2022 (Continued).**

Our opinion on the financial statements does not cover other information, and we do not and will not express any form of assurance conclusion thereon. In our audit of the financial statements, it is our responsibility to read the information described above. In doing so, we consider whether the other information is not materially consistent with the financial statements or knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information the company's annual report for the year ended on 31 December 2022, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the regulations for companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of the financial statement that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We are also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.



**Independent Auditor's Report (Continued)****Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

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

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 financial statements of the current period 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.

For Al-Kharashi Co.



Abdullah S. Al Msned  
License No. (456)

Riyadh:  
5 Ramadhan 1444 H  
27 March 2023



**Audit Committee report for the fiscal year ending on December 31, 2022.**

**M/S Shareholders of Arabian Pipes Company,  
Peace, blessings, and mercy of Allah may be upon you**

• **Introduction**

The Audit Committee is an independent committee formed by a decision of the Ordinary General Assembly of the company upon the recommendation of the Board of Directors, based on what was stated in the Saudi Companies Law, the Corporate Governance Regulations issued by the Capital Market Authority, and the Audit Committee's work regulations.

• **Brief about the formation of the Audit Committee emanating from the Board of Directors**

The current Audit Committee consists of four members, two of whom are independent members of the Board of Directors and two members from outside the Board. The Committee also held seven meetings during the year 2022.

• **Attendance record for the Audit Committee meeting for the year 2022:**

Members	Membership status	02 Mar	25 Marc	30 March	23 May	21 Aug	03 Nov
Sa'ad Al-Qahtany	Chairman of the Committee	✓	✓	✓	✓	✓	✓
Abdullah Al-Harbi	Committee member	✓	✓	✓	✓	✓	✓
Khaled Al-Tarifi	Committee member (outside the board)	✓	✓	✓	X	✓	✓
Saleh Al-Yahya	Committee member (outside the board)	✓	✓	✓	✓	✓	✓

The audit committee is responsible for monitoring the company's business and verifying the integrity and integrity of reports, financial statements and internal control systems. The committee's duties include, in particular, the following:

• **Financial reports**

- Studying the company's initial and annual financial statements before presenting them to the Board of Directors and expressing their opinion and recommendation in their regard, to ensure their fairness, fairness and transparency.
- Expressing a technical opinion, at the request of the Board of Directors, as to whether the Board's report and the company's financial statements are fair, balanced, and understandable, and include information that allows shareholders and investors to evaluate the company's financial position or position, its performance, business model, and strategy.
- Examining any important or unusual issues contained in the financial reports and accounts, and carefully researching any issues brought to light by the company's financial manager or whoever assumes his duties, the company's compliance officer, or the auditor.
- Examine carefully any issues raised by the financial manager of the company or whoever assumes the duties or the compliance officer in the company "if available" or the auditor.
- Verifying accounting estimates in material matters contained in the financial reports
- Studying the accounting policies followed in the company and expressing an opinion and recommendation to the Board of Directors in this regard.

• **Internal audit:**

- Studying and reviewing the company's internal and financial control and risk management systems.
- Studying internal audit reports and following up the implementation of corrective actions for the observations contained therein.
- Control and supervise the performance and activities of the internal auditor and the internal audit department in the company, if any, to verify the availability of the necessary resources and their effectiveness in performing the tasks and tasks assigned to them.
- Recommend to the Board of Directors the appointment of a unit manager, internal audit department, or internal auditor, and propose his reward.



- **Auditor:**

- Recommending to the Board of Directors the appointment and dismissal of auditors, determining their fees and evaluating their performance, after ensuring their independence and reviewing the scope of their work and the terms of contracting with them.
- Verifying the independence and objectivity of the auditor, and the effectiveness of the audit work, taking into account the relevant rules and standards.
- Reviewing the company's auditor's plan and work, verifying that he does not submit technical or administrative work that is outside the scope of the audit work, and expressing its views on that.
- Answering the inquiries of the corporate auditor e. Studying the auditor's reports and observations on the financial statements and following up on what has been taken in their regard.

- **Commitment guarantee:**

- Reviewing the results of the regulatory authorities' reports and verifying that the company has taken the necessary measures in this regard.
- Verifying the company's compliance with relevant regulations, regulations, policies and instructions
- Reviewing the contracts and transactions proposed to be conducted by the company with related parties, and submitting its salaries in this regard to the Board of Directors.
- Raise the issues it deems necessary to take action on to the Board of Directors, and make recommendations for the actions to be taken.

In order to assist the committee in carrying out its tasks and achieving its objectives, members of the management and key stakeholders in the company, such as the chief executive officer, chief financial officer, external auditor, and internal auditor, participated in the audit committee meetings that were held during the year 2022.

The main stakeholders and a number of management members presented their views to the Audit Committee on certain matters, including the validity, effectiveness and soundness of the Company's consolidated financial statements and reports, the performance, integrity and effectiveness of internal controls, internal audit work and financial reports.

Based on the salaries and presentations made by the management members and key stakeholders in the company, the Audit Committee approved several items during 2022 seeking the approval of the Board of Directors, including:

Discuss the annual financial statements for the year ending on 12/31/2021. The external auditor discussed the reasons for the reservations, and the committee worked hard in cooperation with the external auditor and the company's management to remove all obstacles and work on issuing the financial statements for the year 2021. Recommending the appointment of a zakat and tax business advisor.

Recommending the study of stagnant stock and working to clear out obsolete stock as well as spare parts

Follow up on the financial advisor's report to study accounts receivable.

Preliminary (quarterly) financial reports for the year 2022

Recommend the nomination of an external auditor for the company for the year 2022, based on the shareholders' decision.

The committee recommended the executive management to update and complete all necessary policies and procedures.

The committee recommended that the executive management work on establishing policies and procedures for risk management.

In addition, the Audit Committee has examined and received reports on several key issues, including:

Follow up the implementation of the SAP ERP program project

Follow up on updating the risk register for the year 2022.

A summary of the internal audit work in the company during the year 2022, which includes audit work and advisory tasks.

A quarterly report on the internal audit work in place in the company during the year 2022.

All the meetings held by the Audit Committee during the year 2022 witnessed the presentation of comprehensive reports and the holding of extensive meetings with the external auditor and members of senior management on the financial statements, which included a detailed analysis of the company's financial performance and changes in its financial position, the steps for preparing the final financial statements, and the

independent review by the external auditor of the lists. financial during the first, second and third quarters of the year.

- **The opinion of the review committee:**

In our opinion, and based on what was presented by the executive management and the reports of the results of the internal audits submitted to the audit committee during the year 2022 AD and what was included in the results of the auditor's tasks, the committee believes that the executive management in light of its efforts to improve and develop the control system still needs further development and improvement and that the results of the audits, The Committee's discussions during the meetings also provided a reasonable basis for this view. Note that any internal control system, regardless of the appropriateness of its design and the effectiveness of its application, cannot provide absolute assurance.

**This is God, the Grantor of success,,,,,**

**On behalf of the audit committee  
Saad Al-Qahtany**

**Chairman of the audit committee**