



التقرير السنوي

Musharaka
Annual Report

2022



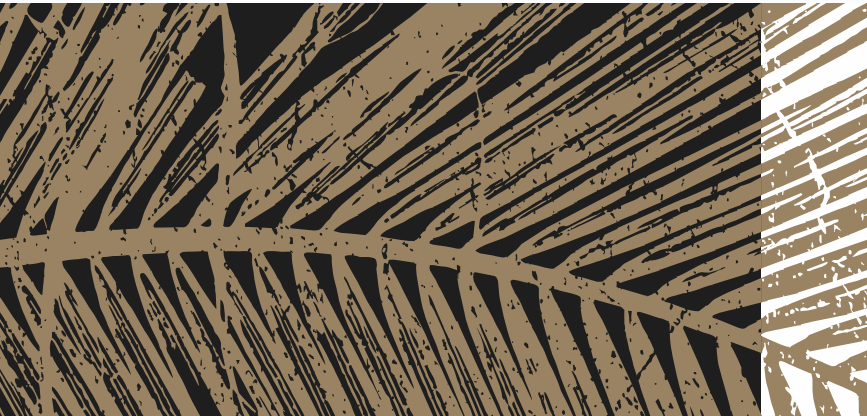






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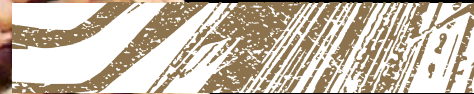
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Creative investment management



01

About Musharaka Capital

Licensed by the Capital Market Authority (CMA) (license no. 13169-27) on 07/10/2013, with a paid capital of (65.000.000) Saudi Riyal, Musharaka Capital is a diversified dealing, investment management and funds operating, arranging, advisory and securities custody service, Musharaka shapes solutions customized to maximize wealth potential and meet the investment needs and risk appetites of both the individual and corporate investors.

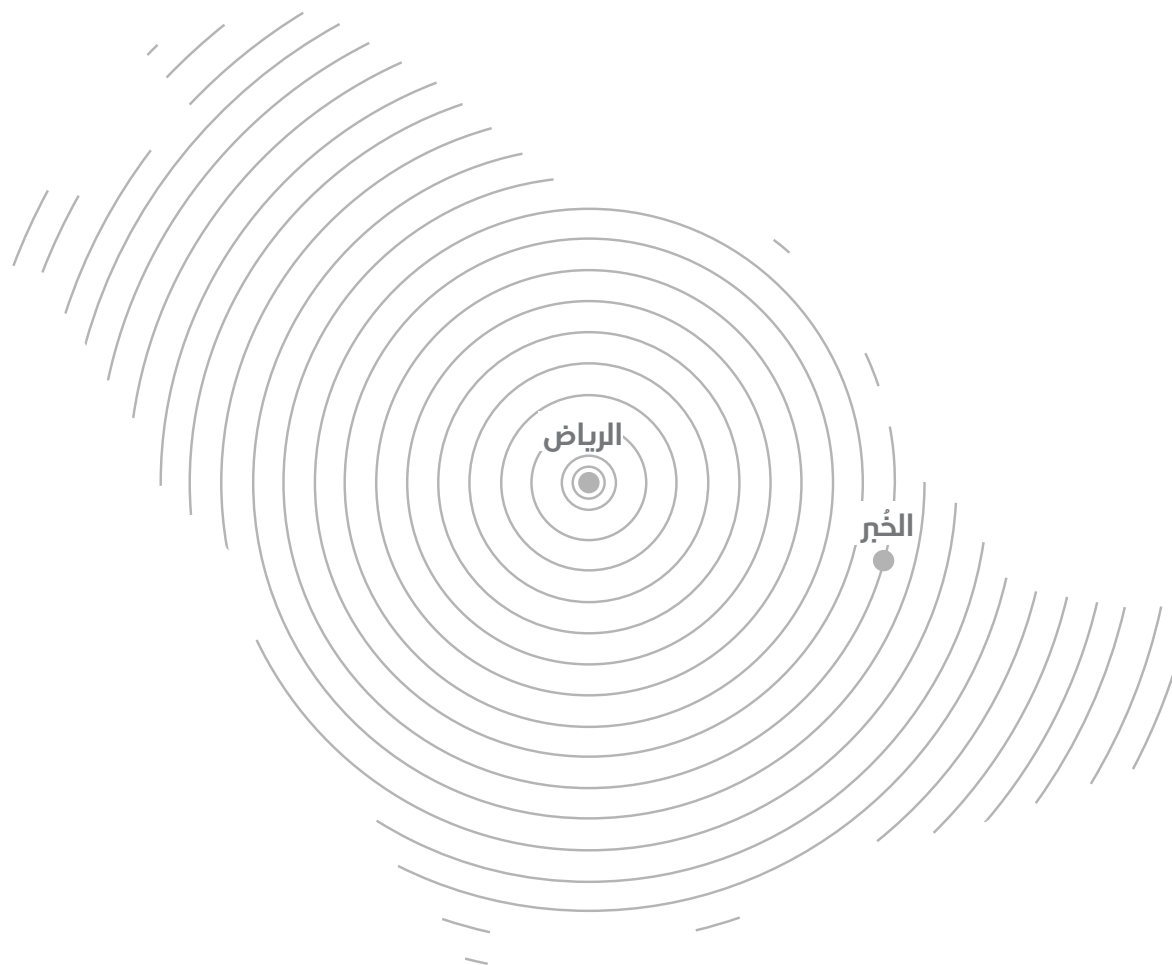
Musharaka provides high-end innovative investment products and services that are designed to meet challenges and access opportunities in today's transforming global economy.

Powered by the expertise of a world class team of investment professionals and aligned with Saudi Arabia's Vision2030, Musharaka delivers targeted Shari'ah compliant investment opportunities.

The Company laid the infrastructure necessary to engage in brokerage. Musharaka Capital aspires to provide an outstanding, extraordinary, and safe client experience through its brokerage activity.

Geographical Scope

Musharaka Capital manages its activities and operations from its head office in Alkhobar in the Eastern Region of the Kingdom of Saudi Arabia, as well as its recently opened branch in Riyadh.



Our Services and Activities

Asset Management

Musharaka is a leading asset manager for individuals and institutions.

Our investment professionals provide strategies that span the full spectrum of asset classes, structuring a wide range of world class Shari'ah-compliant investments that generate attractive risk-adjusted returns and give our clients access to liquid investment products with higher returns.

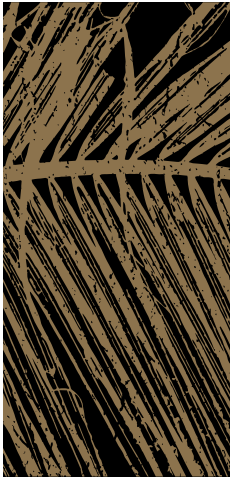
Investment Banking

Musharaka's Investment banking team brings global experience, Local know how and technical expertise to deliver a suite of extensive financial and investment services.

Our investment banking services include Project and Corporate Financing, Capital Market Advisory and strategies such as Capital Raising, and Mergers and Acquisitions.

Custody

Musharaka offers a turnkey custody solution with a range of CMA compliant custody services that protect client assets and ensure seamless support with all investment regulatory requirements, documentation, and reporting. With Musharaka Custody services you can rest assured that investment operations are conducted in full compliance and to the highest standards of transparency.





Our Vision

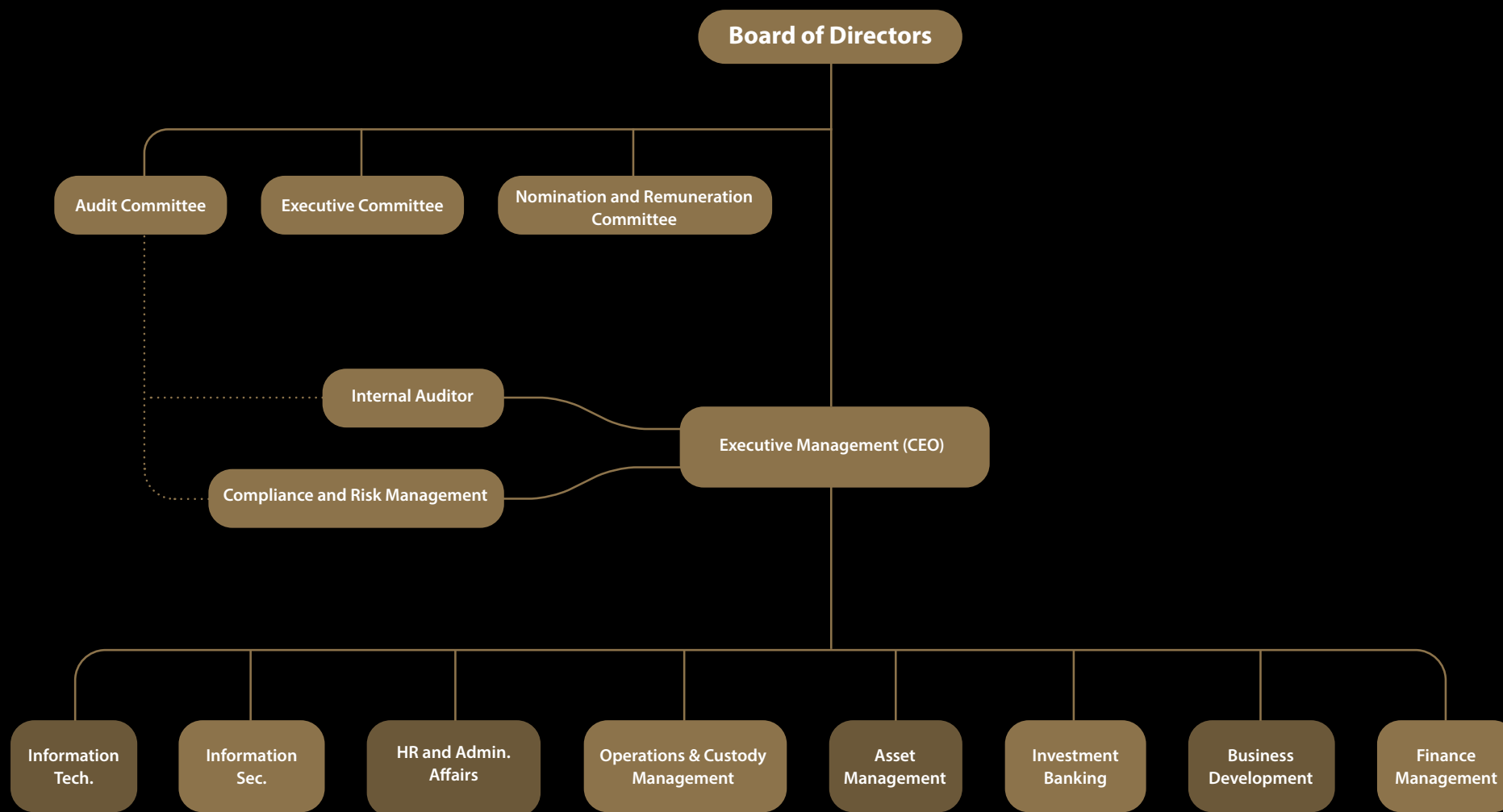
To be the preferred asset management and investment banking partner for creative, customized financial solutions and one of the top ten firms in the region.

Our Mission

It is our mission to leverage our extensive expertise and the latest technologies to provide unique investment solutions and services that exceed our clients' expectations while upholding the highest standards of ethics, integrity, and confidentiality. To support the achievement of Vision2030 by aligning strategy with Environmental, social and governance factors and provide a positive working environment conducive to creativity and innovation.

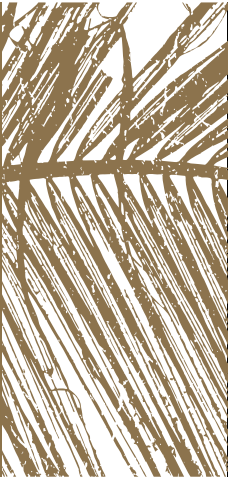


Rganizational Structure





Our Values



Innovation

In a dynamic global economy Musharaka remains agile, responding and adapting to change to better serve our clients' needs. We think differently, creatively shaping strategies that find solutions to tomorrow's challenges and ensure our clients have a financially healthy future.

Integrity

We are guided by a moral compass in everything we do, growing our relationships on a foundation of honesty and ethical business practices.

Reliability

We are committed to our clients' sustainable financial success and remain steadfast in our promises regardless of changing business landscapes and economic climates.



Knowledgeable

We remain abreast of market and industry activity and ensure our clients are fully equipped with the knowledge they need to make informed investment decisions.

Transparency

We maintain the highest levels of transparency in every client interaction and provide regular reports and updates on the performance of their investments.

Efficiency

We manage our business and serve our clients with optimal efficiency by streamlining our processes and procedures and aligning our people in order to leverage the full spectrum of their creative potential.

Board Directors



Mr. Ayedh Farhan Alqahtani
Chairman
Non-Executive Member



Mr. Fahad Sulaiman Alrajhi
Vice Chairman
Non-Executive Member



Mr. Ibrahim Fahad Alassaf
CEO
Executive Member



Mr. Ibrahim Mohammad Al Alshaikh
Non-Executive Member



Mr. Fahad Mohammad Alamoudi
Non-Executive Member



Mr. Khalid Saleh Alakeel
Independent Member



Mr. Mohammad Sulaiman Alharbi
Independent Member



Mr. Ziad Bassam Albassam
Independent Member

We rely on a team that
adheres to the highest
standards Responsibility
towards our society and
our economy



02 Board Message

Esteemed Shareholders,

Thanks to Allah, we have successfully completed FY 2022 with accomplishments placing us in an advanced position in accordance with the plans and objectives which we had set out to achieve, thanks to the efforts and efficiency of our employees in implementing the plans and reaching our aspired goals. The outcome for the year was in line with our aspirations to enrich our investment offerings with new and innovative products and services.

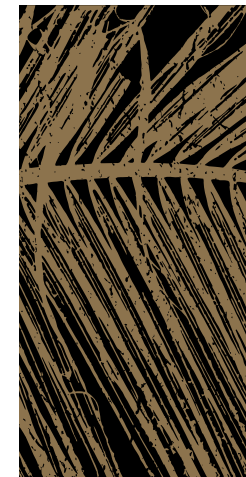
Public and private sector organizations have combined their efforts to realize the goals of the Kingdom's Vision 2030, diversify and strengthen our national economy and make it more competitive, thanks to the support and guidance of the Custodian of the Two Holy Mosques King Salman bin Abdul Aziz, and His Royal Highness Crown Prince Mohamed bin Salman bin Abdul Aziz, doubling our efforts and contributions to the growth of our national economy in the financial sector in which we operate, giving more added value to inspire us to continue to excel and achieve.

We have succeeded in maintaining our level of performance, which continues to improve with assets under management increasing by around 12%. We have also successfully closed the offering of many funds, including without limitation Alkhoyool Alarabia Residential Fund, La Perla II Fund and Al Majediah Residence Al Khobar Fund. Other funds were also offered and are expected to close in the first quarter of 2023.

To bolster our investment platform, we have structured a number of new funds in various sectors, and received Capital Market Authority (CMA) approval to launch them. We have also augmented the properties of Musharaka REIT Fund with the acquisition primarily located Verdun Tower in Riyadh, and continued to operate the Fund to a high level of efficiency. We have also successfully exited a number of funds as planned, mainly La Perla Fund, generating record proceeds.

In spite of the geopolitical challenges and economic changes the region endured in 2022, which clearly affected prevailing economic conditions, with effects extending to virtually all business sectors, including the financial sector. We have successfully and firmly faced those challenges which resulted in unprecedented interest rate hikes. This affected investor choices and appetites. These effects were clearly manifested this year. However, we successfully covered the offered funds, and dealt with those challenges to the best interest of investors in existing funds.

The performance in 2022 was unprecedented. FY 2022 witnessed continued growth of revenues and growth of net income. The Company's fiscal results for FY 2022 were its best since its inception. With revenue growth of 69% and income growth of 80% which resulted in the best ever cash distributions paid out to shareholders since inception.

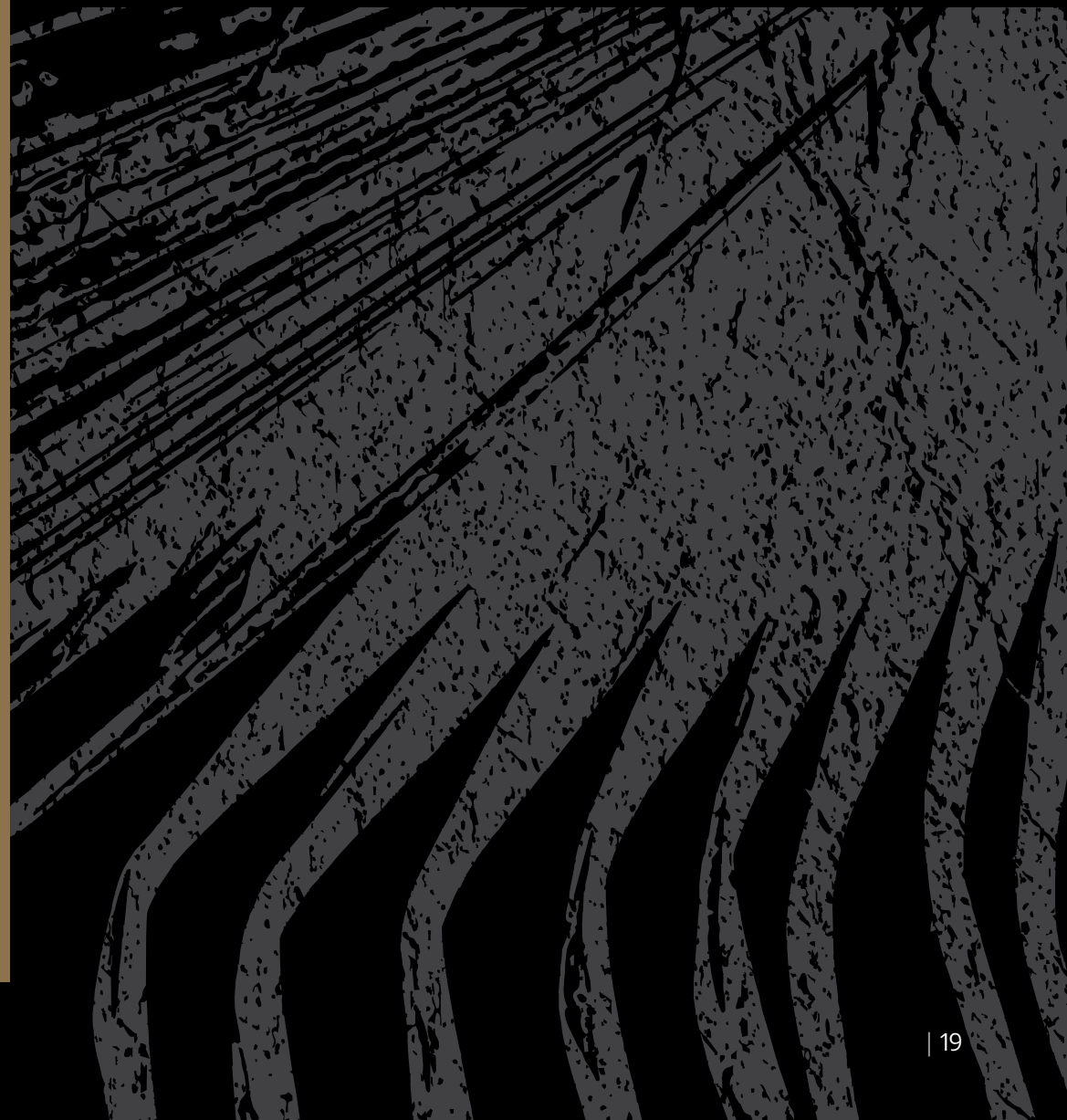




As we review these achievements, we are determined to continue this outstanding performance which inspires to excel even higher in FY 2023, as we prepare to launch our brokerage activity which has made great strides, in addition to the structuring of new funds in groundbreaking sectors.

Throughout all our activities, governance formed the backbone of Musharaka Capital's structural and executive performance and the driving force behind the transparency and reliability of our business achievements. Moreover, we have given top priority to our corporate social responsibility given its importance in promoting social solidarity and cohesion and in view of the aspired corporate role at the national and social levels.

Our accomplishments during the fiscal year were backed by dedicated employees who have contributed their expertise and efforts to achieve the Company's objectives, making a difference in developing the Company's business and rightly earning our thanks and appreciation for their devotion, loyalty and assiduity in attaining the Company's goals. We also extend our thanks and appreciation to our shareholders for their great confidence, valued support and critical role to best serve the interests of the Company. We are confident that this will continue over the coming years with maximized efforts, outstanding expertise and unwavering resolve.





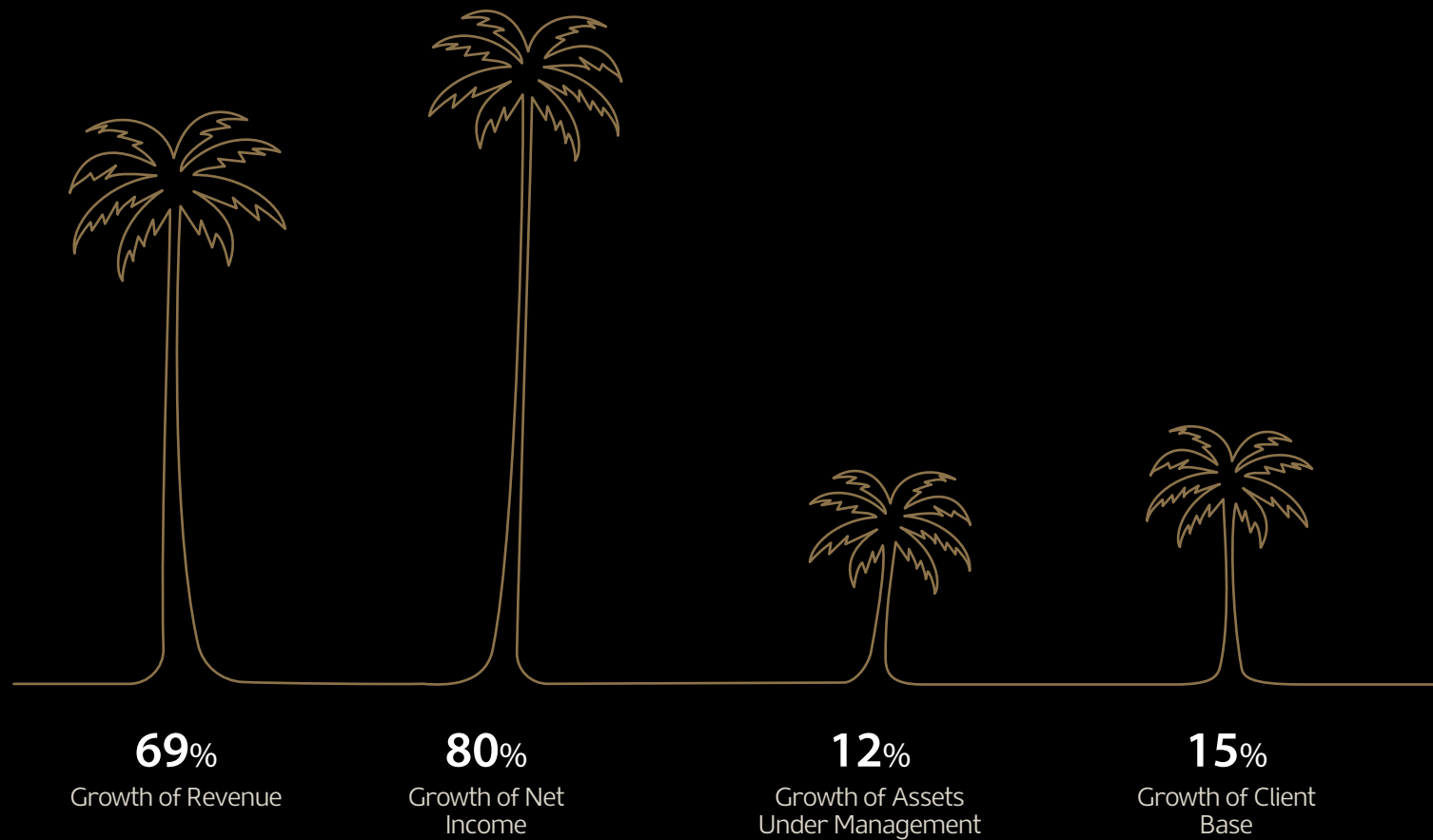


The widest investor space



03

Musharaka's Indicators



04 Main Achievements in 2022

Termination and Liquidation of La Perla Fund with an Outstanding Return of 96%

Musharaka Capital successfully terminated and liquidated La Perla Fund (a closed-ended private real estate investment fund), with a return on investment of 96% over the Fund's holding period of 18 months. At its inception, the Fund acquired a raw land at a prime strategic location on the northern end of Corniche Road in the City of Al Khobar in the Eastern Region of the Kingdom of Saudi Arabia, with a total area of 18,000 square meters. The land is characterized by its prominent and vital recreational location in the heart of the City of Al Khobar and midway on Al Khobar's new waterfront, in close proximity to flagship commercial, tourism and entertainment projects, giving it a tremendous competitive advantage in creating high demand for any projects which are developed on it.

Offering and Operating a Number of Private Real Estate Funds

In 2022, Musharaka Capital successfully launched and operated a number of private real estate funds, namely Alkhoyool Alarabia Residential Fund, Almajediah Residence Al Khobar Real Estate Fund and La Perla II Fund, which represent a continuation of the Company's resounding success in the real estate investment funds sector. Through these funds, Musharaka Capital provides its clients with a variety of investment options.



04 Main Achievements in 2022

Musharaka REIT Fund and Continued Successes

Musharaka REIT Fund continued to expand in 2022 by acquiring Verdun Tower, a commercial and office tower primely located in the heart of the City of Riyadh. This acquisition resulted in increasing the Fund's assets to a total value of SAR 1.6 billion. The Fund continues to seek outstanding value-added opportunities to augment its real estate portfolio.

In terms of the Fund's operating services, a binding agreement was signed with Maersk, one of the world's largest logistics services companies, to lease all of Albarakah Warehouses in Riyadh.

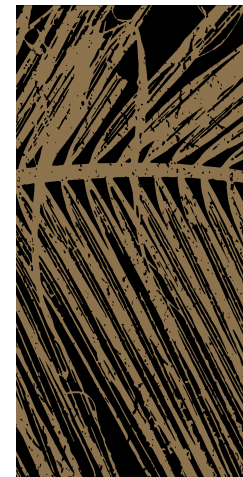
In spite of the global economic uncertainty and monetary policy tightening, Musharaka REIT's management continued to expend efforts to alleviate these challenges by negotiating more appropriate terms with the Fund's lenders to best serve the interests of Unitholders. The Fund also maintained its commitment to its annual cash distributions policy.

Investment Banking – Continuing Achievements

The Investment Banking Department (IBD) has achieved remarkable results in 2022, despite the challenging market conditions. IBD has successfully closed several financing deals for the Company's clients, securing competitive rates and terms that enhance the funds' performance and returns. IBD has also restructured the Musharaka REIT Fund's financing agreement with the lending bank, reducing the profit margin and improving the cash flow of the fund.

IBD has also made significant progress in the offering and listing of one of its clients which has received the approval from Tadawul and is expected to start its initial public offering (IPO) soon.

In addition, IBD has provided various financial and advisory services to its clients, including arranging financing, conducting financial and feasibility studies, and developing strategic plans. IBD has also advised its clients on capital market transactions, such as capital increase and debt issuance.

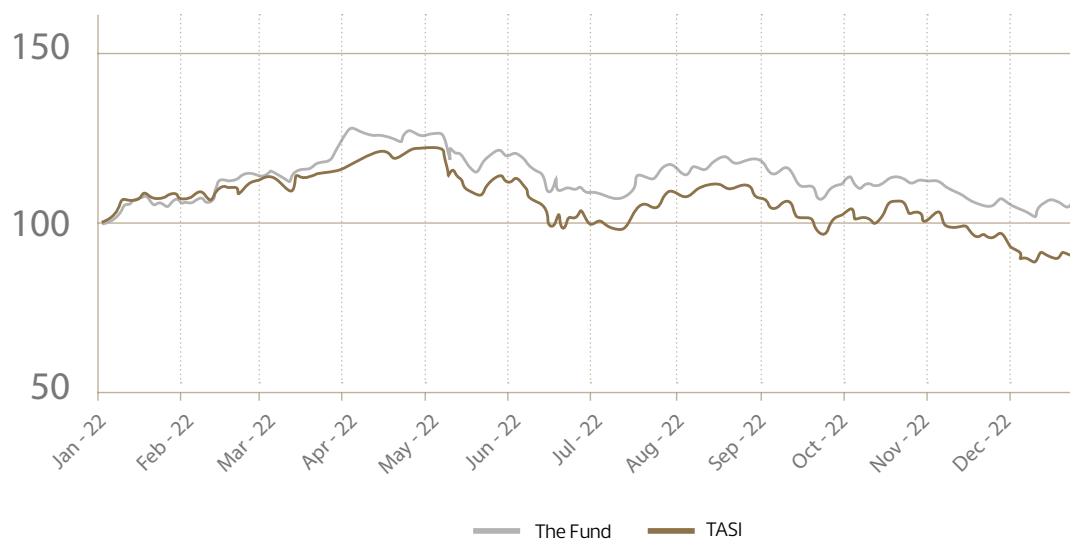


04 Main Achievements in 2022

Musharaka Saudi Equity Fund Outstanding Performance

Musharaka Saudi Equity Fund continued to achieve favorable results, outperforming TASI by 15.4% in 2022. The Fund recorded an increase in its NAV by 8.35%, YoY, while TASI declined by 7.12%. This robust performance resulted from the Fund's successful implementation of its asset allocation and equity selection strategies.

Fund's Performance against the Benchmark



04 Main Achievements in 2022

Successful Termination and Liquidation of Arsh Real Estate Fund

Musharaka successfully terminated and liquidated Arsh Real Estate Fund during the year at the end of the Fund's term (one year). The Fund generated a return on investment of 12.17%. It is a closed-ended private real estate investment fund with the aim of generating capital gains through the acquisition and sale of developed land with the right strategy and timing.

Musharaka Capital in the Heart of the Kingdom

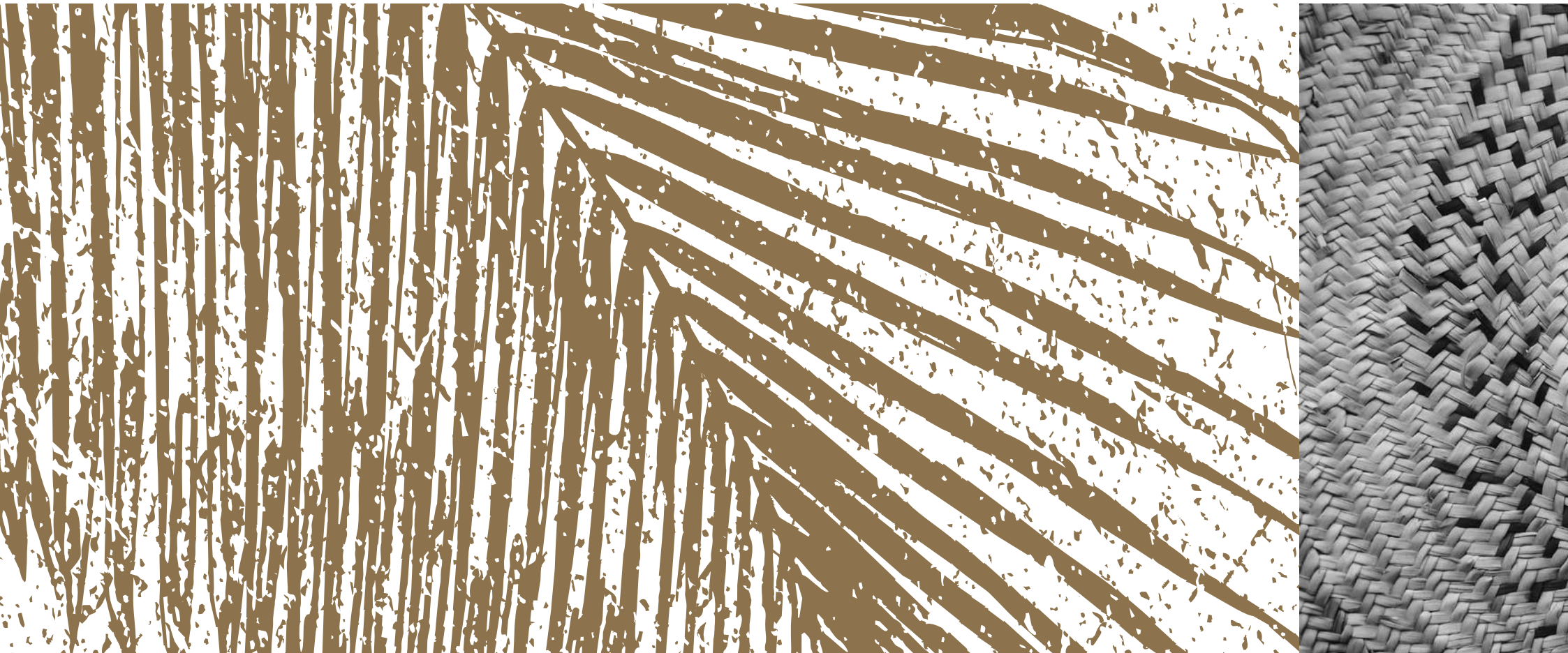
In November 2022, Musharaka inaugurated its branch in the City of Riyadh, through which to strengthen its ties with its partners. Musharaka intends to move closer to its clients and partners in the business community of Riyadh, in the hope that this will contribute to expanding the Company's client base.

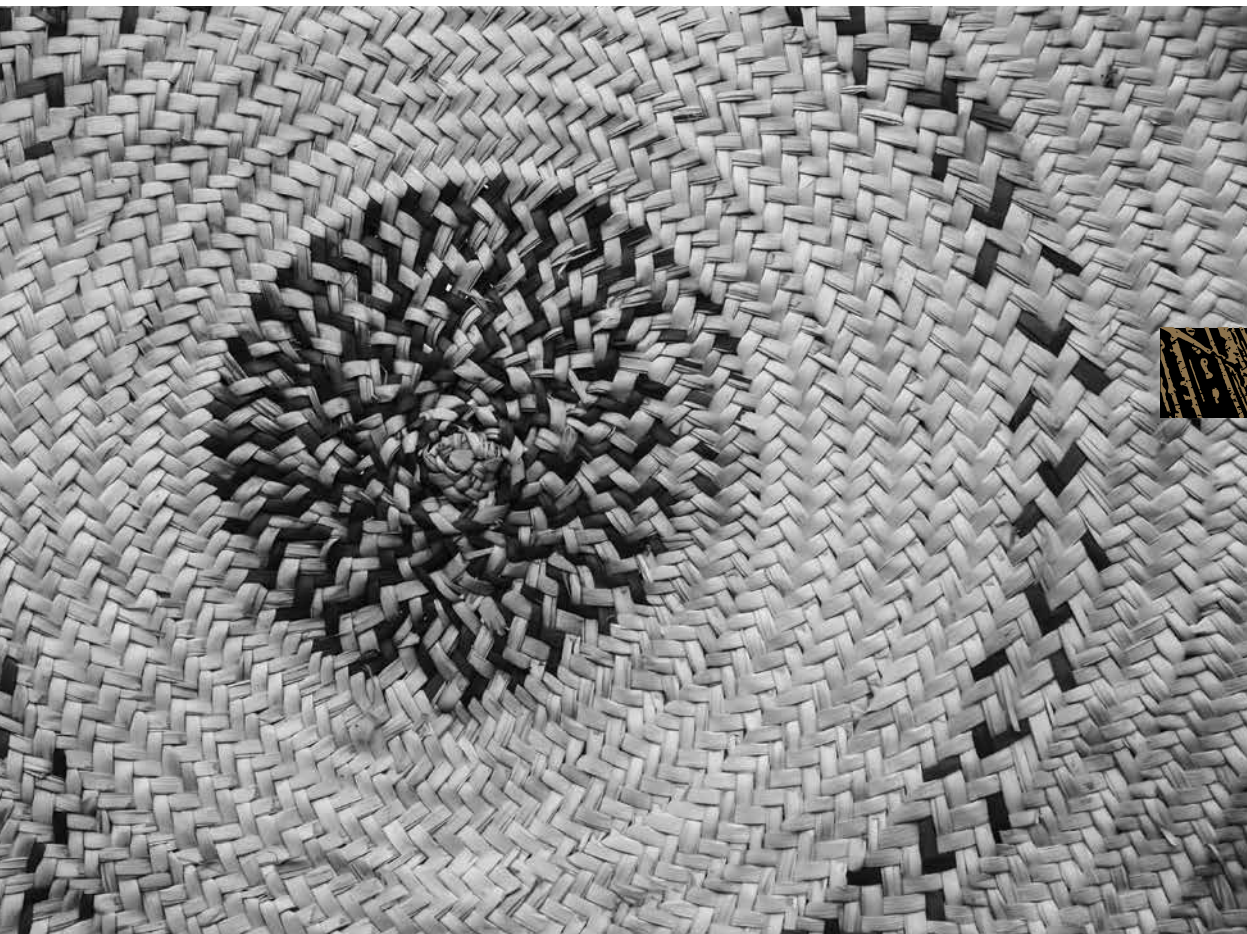
Operations Department and Expansion of Custody Activities

Musharaka's Operations and Custody Department (OCD) concluded all of its business activities during the year with its customary thoroughness and efficiency. It also expanded its custody activities by signing a number of custody agreements for a number of CMA-licensed investment funds.









Our 2023 Aspirations

05 Our 2023 Aspirations

As we embark on a new year, we are faced with the challenges of building upon the significant historic strides the Company had made since its inception. We look forward to a year filled with promising opportunities which we will expend every effort to take and realize value added to the Company's outstanding performance record in the financial sector, by offering quality investment products in multiple sectors to cater to the aspirations of our clients. The achievements attained over the past years raise the bar and compel us to seek greater successes.

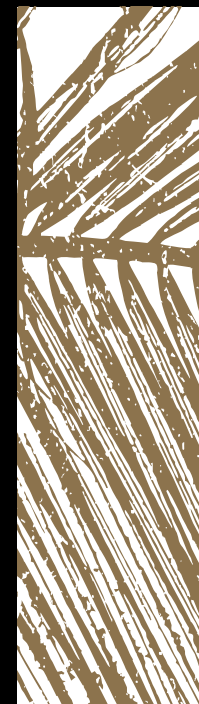
We will continue our journey this year with the same diligence in our investments, persisting in our commitment to our clients with the highest standards of governance and transparency, giving us the outstanding capacity to achieve our objectives and consolidate our efforts in order to continue with the successes and hard work in accordance with our plans which are based on market studies, changes and future outlook. We also seek to continue to increase our revenues through the brokerage activity alongside our investment banking activity.

We have also successfully inaugurated our Company's branch in Riyadh, and made strides in our efforts to launch our brokerage services this year. Musharaka will devote full support to the brokerage team to become a leading competitor in the local brokerage market. We have also endeavored to expand Musharaka's business and client base, which endorses the principle of sustainability in our business, services and products subject to best international practices and governance guidelines.

In addition, and after having expanded our human capital and reached our highest employment level since inception, we are endeavoring to empower and retain our human capital, increase Saudization and integrate technologies to provide outstanding services and keep abreast of the state of the art, and thus provide a unique client experience and continue to communicate with our clients to help them realize their investment aspirations in spite of the prevailing geopolitical climate.

We continue to persist in our efforts to increase our assets under management in support of our plans for transforming Musharaka Capital into the best investment destination and best place to work, in line with our goals of attracting the best talent to augment our human capital and accommodate any potential investment expansion. We will also endeavor to attract foreign capital inflows to coincide with our new quality offerings planned for 2023.

With the expansion of digitization and operational management in view of the accelerated technological advances, we will continue to stay ahead with state-of-the-art systems and the automation of our operations to best serve our clients. This should add to Musharaka the new dimension of digitization which has become essential to the performance of financial sector, necessitating the provision of requisite media.



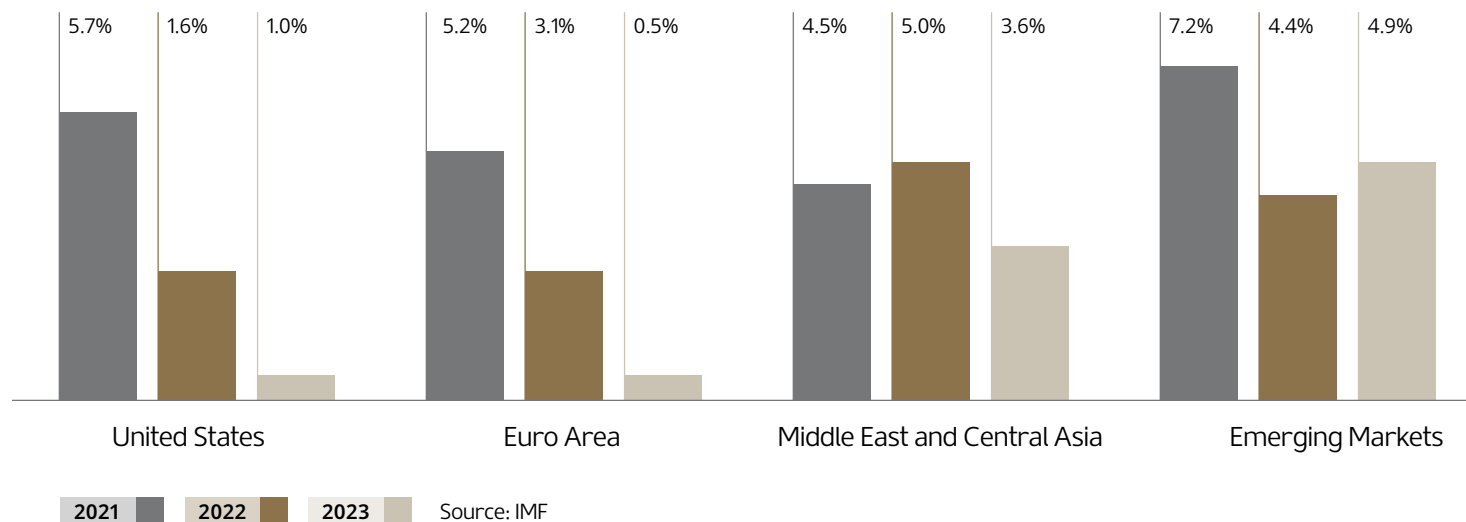
06 Economy in 2022

Global Economy

Global economic activity experienced in 2022 a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Global growth is forecast to slow down from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. The main factors contributing to the slowdown of global growth include the tightening of monetary policy, driven by inflation targets exceeding their anticipated levels.

Global inflation is forecast to rise from 4.7 percent in 2021 to 8.8 percent in 2022 but to decline to 6.5 percent in 2023 and to 4.1 percent by 2024. Monetary policy should stay the course to restore price stability, and fiscal policy should aim to alleviate the cost-of-living pressures while maintaining a sufficiently tight stance aligned with monetary policy. Structural reforms can further support the fight against inflation by improving productivity and easing supply constraints.

Real GDP Growth (%)



Prices of Basic Commodities

Most basic commodity prices have retreated from their peaks in the aftermath of the post-pandemic demand surge and war in Ukraine. The decline has been driven by a sharp global growth slowdown and concerns about an impending global recession. However, individual commodities have seen divergent trends amid differences in supply conditions

and their response to softening demand.

Overall, basic commodity prices have varied since the outbreak of the war in Ukraine. Energy prices remained high, while non-energy prices declined. However, most basic commodity prices in many countries remain much higher in local currencies given the

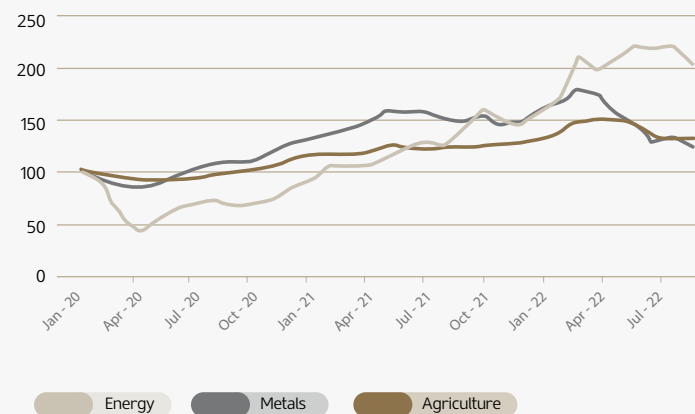
strength of the United States Dollar. Moreover, demand for metal declined in most regions with the global economic slowdown. Cereal production was strong in 2021-2022, but is expected to decline in 2022-2023. Going forward, oil prices are expected to decline in 2023-2024, however these forecasts are clouded by significant uncertainty with major negative concerns over the likelihood of a global recession.

Brent price (USD)



Source: World bank

Commodity price index



Monetary Policy

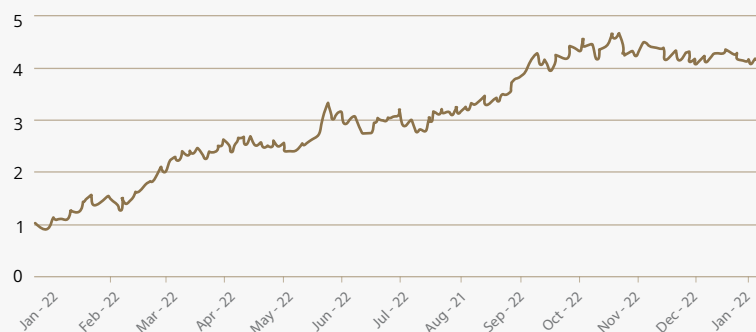
The Fed continues to expend effort to stop the wave of high inflation by slowing down the economy. Over the most part of 2022, the Fed made significant interest rate hikes and gradually lowered its assets. Concerns are now growing that the Fed will not achieve its objectives of lowering inflation without causing the US economy to slip into recession.

In spite of the fact that the recent interest rate increase was made after inflation had shown signs of receding in the last months of 2022, the cost of living increased in the United States in November (according to the consumer price index) by 7.1% over the last twelve months, 2% lower than the peak which was reached in the

last twelve months ending June 2022. Nevertheless, the Fed was searching for more evidence to gain confidence that inflation is continuing to decline.

Notwithstanding the fundamental change in the Fed's strategy in 2022, inflation continues to be the Fed's main source of concern. General consensus points to higher inflation, but with lesser severity, in 2023.

2 Year US Yield (%)



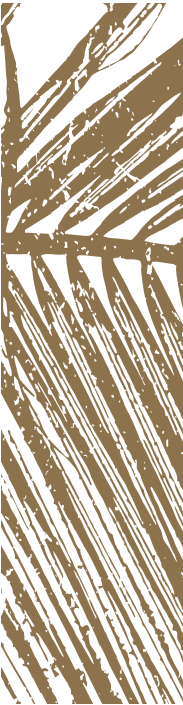
Source: Bloomberg

Saudi Economy

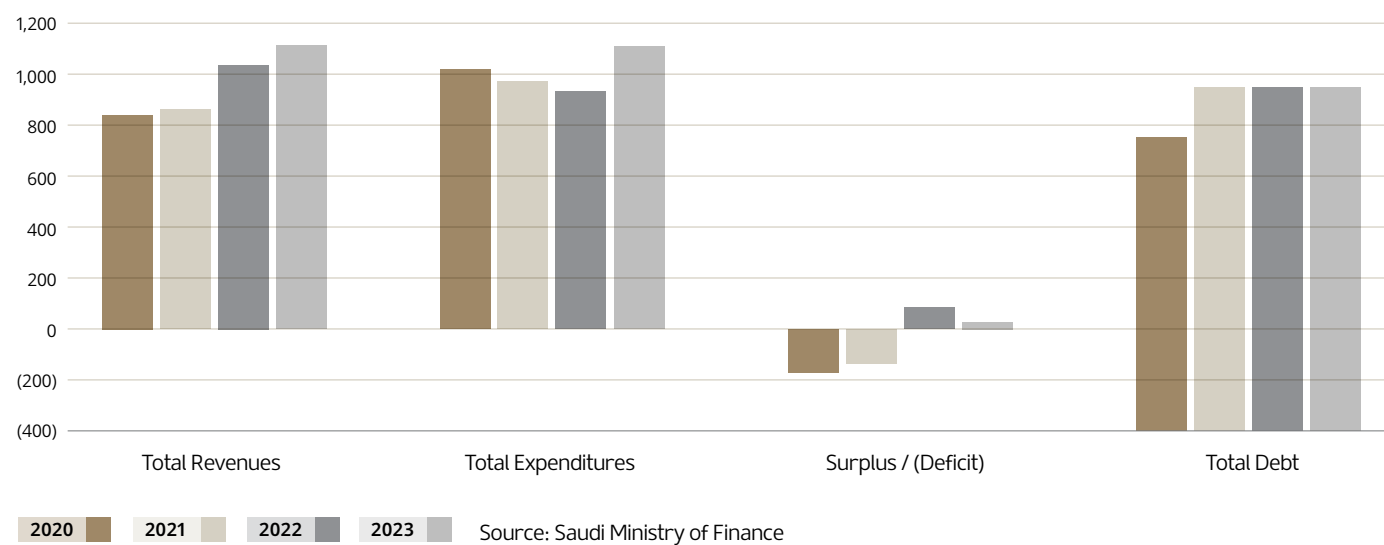
Forecasts show that Saudi Arabia's economy grew in 2022. During the year, growth exceeded the expectations of the Ministry of Finance for the previous year. It also improved significantly over 2021 with the recovery of oil prices and the continued support of non-oil activity through the easing of the COVID-19 pandemic restrictions and government reforms. Real GDP growth reached 8.5% in 2022, compared to 3.2% in 2021.

In addition, the Kingdom's fiscal balance recovered posting a surplus in the 2022 draft budget, compared to a deficit of SAR 73 billion in 2021, mainly due to the significant recovery of total revenues. In spite of higher than budget spending, the 2022 surplus ended eight years of successive deficits, while average inflation reached 2.6%, exceeding budget expectations, due to a number of supply side effects, such as higher commodity and food prices and the continued disruption of global supply chains. Nevertheless, compared to global inflation rates, inflation in the Kingdom (and other GCC countries) was contained in 2022, making it one of the lowest inflation rates worldwide.

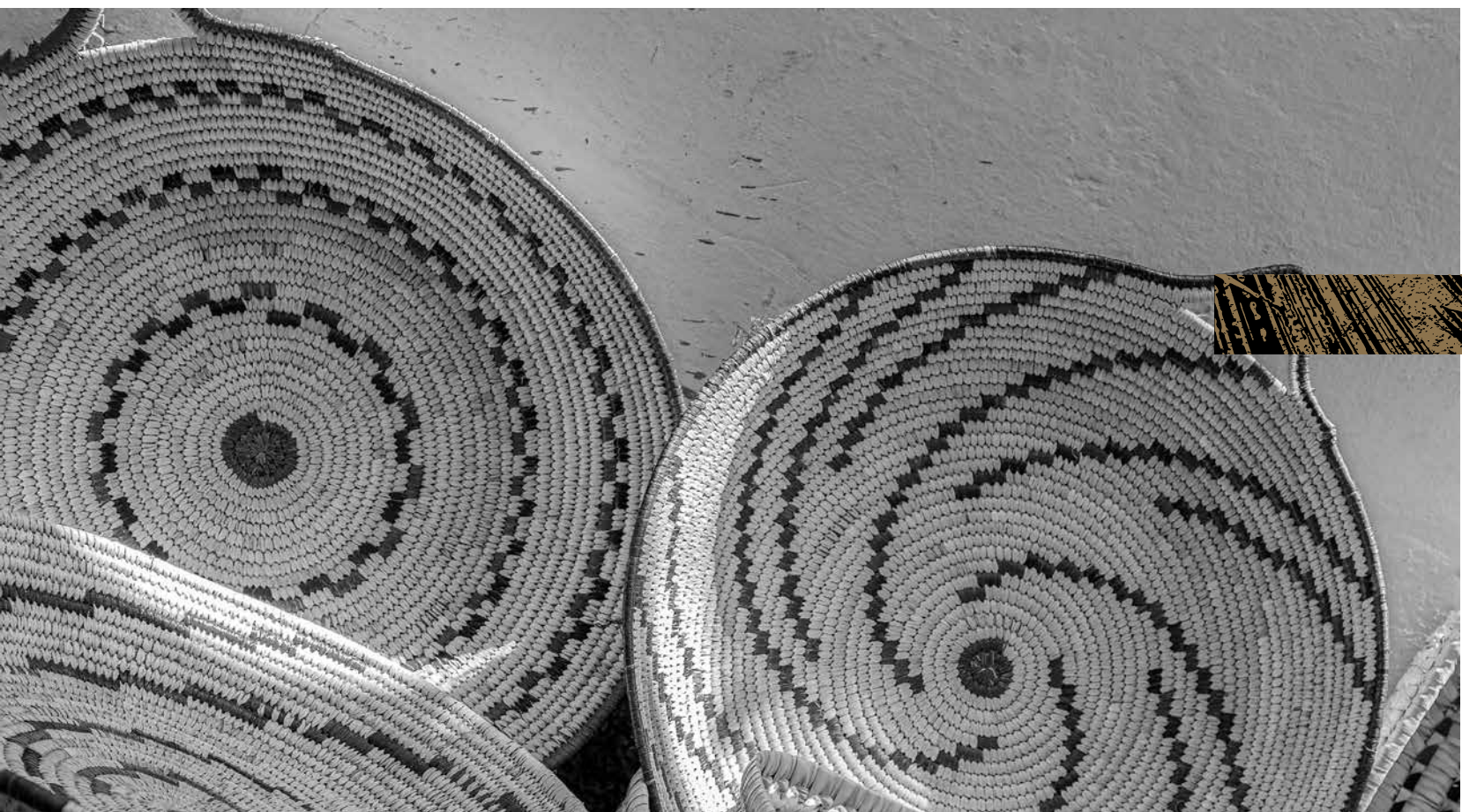
This was made possible due to a number of factors, including the governments' effective supply chain management strategies, fuel and food subsidies, and pegging GCC currencies to the United States Dollar (which helps control imported inflation), as well as higher oil revenues (keeping the effects of higher prices of global commodities on domestic inflation under control).



Saudi Budget (SAR billion)







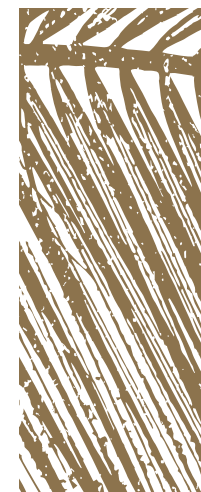
Governance

07 Governance

Musharaka Capital complies with all the CMA-issued regulations and circulars related to the capital market institutions. Musharaka Capital also endeavors to apply best governance standards and adopt best corporate governance practices. It had also laid the foundations of governance infrastructure by approving the Company's "Governance Policy and Board of Directors' Policies".

Board's Formation and Classification of its Members

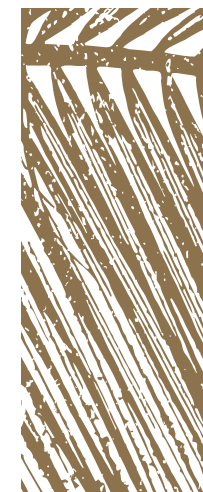
The Company's Board of Directors consists of a group of prominent businessmen and professional individuals specialized in the investment, banking and accounting fields. The current Board of Directors was appointed, and its members were elected during the Company's Extraordinary General Assembly; which was held on 02/06/2020. The Company's Board consists of eight members: three independent members, one executive member, and the rest are non-executive members. The Board's current session (third session) extends from 02/06/2020 and lasts for 3 years.



The following is the formation of the Board of Directors, the classification of its members and the statement of their membership in other boards:

Sr.	Member Name	Membership Classification	Membership of Other Boards
1	Mr. Ayedh Farhan Alqahtani Chairman	Non-Executive Member	<ul style="list-style-type: none"> Sumou Real Estate Company, Chairman. Adeer Real Estate Company, Chairman (Since 2022). Sumou Holding Company, Chairman (Since 3 Mar. 2022). Bisan Commercial & Real Estate Investment Company, Chairman (Since 2022). Tanal For Development And Real Estate Investment Company, Chairman. Dhahiat Sumou Real Estate Development Company, Chairman. Dhahiat Muroj Jeddah Limited Company, Chairman. Iktva Agricultural Company, Board Director. Albait & More Company, Board Director. Dhahiat Sumou Real Estate Fund, Board Director.
2	Mr. Fahad Sulaiman Alrajhi Vice Chairman	Non-Executive Member	<ul style="list-style-type: none"> Yanbu Cement Company, Chairman, Saudi German Company for Non-woven Products (SGN), Chairman. Al Watania for Industries, Chairman. Advanced Flexible Packaging Company, Chairman. Sahara International Petrochemical Company - Sipchem, Vice Chairman. Alrajhi Ekhwan Group, Board Director.
3	Mr. Ibrahim Fahad Alassaf Board Director	Executive Member (CEO)	<ul style="list-style-type: none"> Armas Limited Company, Chairman. Ladun Investment Company, Vice Chairman. Musharaka GAD Medical Company, Board Director. Musharaka Investment Holding Company, Board Director. Musharaka REIT Fund, Chairman Musharaka Saudi Equity Fund, Chairman. Musharaka Murabahat & Sukuk Fund, Chairman. "AlMajidiyah" Real Estate Fund, Chairman. "Alkhoyool Alarabia" Real Estate Fund, Chairman. "La Perla" 2 Real Estate Fund, Chairman. "AlMajidiyah Residence Alkhobar" Real Estate Fund, Chairman.

Sr.	Member Name	Membership Classification	Membership of Other Boards
4	Mr. Ibrahim Mohammad Al Alshaikh Board Director	Non-Executive Member	<ul style="list-style-type: none"> • Mawad Drilling Limited Company, Chairman. • Ebreez Arabian Company, Chairman. • Saudi Call Company, Chairman.
5	Mr. Fahad Mohammad Alamoudi Board Director	Non-Executive Member	<ul style="list-style-type: none"> • Yaqen Holding Company, Chairman • Bamardouf Decorations Company, Chairman • "Sedrat Albinaa" Real Estate Company, Chairman • Eastern Region Welfare Organization, Member of General Meeting.
6	Mr. Khalid Saleh Alakeel Board Director	Independent Member	<ul style="list-style-type: none"> • Sumou Real Estate Company, Board Director. • Saudi Equity Fund (By: GIB Capital), Chairman.
7	Mr. Mohammad Sulaiman Alharbi Board Director	Independent Member	<ul style="list-style-type: none"> • Zamil Industrial Investment Company, Board Director • Arabian Amines Company, Board Director • National Talents Company, Board Director • National Company for Glass, Board Director. • Gas Arabian Services Company, Board Director . • Guardian Saudi Intr. Company, Chairman. • Guardian Glass Intr. Company, Chairman. • Specialized Medical Services Company, Board Director (Since 4 Aug. 2022).



Sr.	Member Name	Membership Classification	Membership of Other Boards
8	Mr. Ziad Bassam Albassam Board Director	Independent Member	<ul style="list-style-type: none"> • Makkah Construction & Development Company, Board Director. • Buruj Cooperative Insurance Company, Board Director. • Orange Flower Company, Chairman. • Jurhom Urban Development Company, Vice Chairman. • Saudi Makeen Company, Board Director. • Imkan Arabian Company, Chairman. • Albassam Group Real Estate Company, Chairman. • Food House Commercial Company, Board Director. • Albassam Commercial Company, Board Director. • Makkah Oasis Company, Board Director. • Murooj Jeddah Company, Board Director. • Wahat Aljood Company, Board Director. • Dahiat Sumou Company, Board Director. • Adeer Real Estate Company, Board Director. (Until 31 May 2022). • Makkah Mass Rail Transit Company, Board Director (Until 28 Feb. 2022).

Board of Directors Meetings in 2022

Member Name	First Meeting 22 March 2022	Second Meeting 14 September 2022	Third Meeting 13 December 2022
Mr. Ayedh Farhan Alqahtani	Yes	Yes	No
Mr. Fahad Sulaiman Alrajhi	Yes	Yes	No
Mr. Ibrahim Fahad Alassaf	Yes	Yes	Yes
Mr. Ibrahim Mohammad Al Alshaikh	Yes	Yes	Yes
Mr. Fahad Mohammad Alamoudi	Yes	Yes	Yes
Mr. Khalid Saleh Alakeel	Yes	Yes	Yes
Mr. Mohammad Sulaiman Alharbi	Yes	Yes	Yes
Mr. Ziad Bassam Albassam	Yes	Yes	Yes



Board Committees and their meetings in 2022

Audit Committee

The Committee consists of at least three non-executive board members, including at least one member specialized in Finance and Accounting Affairs. The selection of the Committee members takes into account specific conditions in accordance with the Governance Policy adopted by the Company's Board; in order to ensure that the Committee performs its duties in an optimal manner.

Committee Tasks:

The "Audit Committee Regulation" was voted on and approved at the Company's Extraordinary General Assembly meeting held on 16/05/2017, and the Regulation contains the committee's tasks, which are as follows:

1. Supervise the Internal Audit Management in the Company; in order to verify its effectiveness in carrying out the work and tasks specified by the Board.
2. Study the Internal Control System and submit a written report on its opinion and recommendations on it.
3. Study the internal audit reports and follow up with the implementation of the corrective measures for the notes contained in them.
4. Recommend the Board to appoint and dismiss the Chartered Accountants and determine their fees; and when recommending the appointment, it must be taken into account that they are independent and have the required licenses and that they have sufficient qualifications and experience.
5. Follow-up with the Chartered Accountants' work and adopt any work outside the scope of the audit work entrusted to them while performing the audit work.
6. Study the audit plan with the Chartered Accountant and make its notes thereon.
7. Study the Chartered Accountant's notes on the financial statements, and follow up with what has been done in them.
8. Study the initial and annual financial statements before submitting them to the Board and give its opinion and recommendation on them.
9. Study the applicable accounting policies, and give its opinion and recommendation to the Board on them.
10. Audit the Company's operational and control systems and procedures.
11. To achieve its tasks, the Committee has the right to access the Company's records and documents and to request any clarification or statement from the members of the Board of Directors or the Executive Management.
12. The Committee may ask the Board of Directors to invite the Company's General Assembly to convene, if the Board of Directors obstructs its work or the Company suffers serious damage or losses.

Committee's Formation:

The Audit Committee consists of two independent members and a non-executive member, appointed at the Company's Extraordinary General Assembly meeting held on 02/06/2020; and the following are the names and classifications of the Committee Members:

Name	Position	Membership Classification
Mr. Khalid Saleh Alakeel	Chairperson	Independent Member
Mr. Mohammed Suleiman Alharbi	Vice-Chairperson	Independent Member
Mr. Ibrahim Mohammed Al Alsheikh	Member	Non-Executive Member

Audit Committee Meetings in 2022:

Member Name	First Meeting on 10 March 2022	Second Meeting on 27 July 2022	Third Meeting on 16 October 2022	Fourth Meeting on 13 December 2022
Mr. Khalid Saleh Alakeel	Yes	Yes	Yes	Yes
Mr. Mohammad Sulaiman Alharbi	Yes	Yes	Yes	Yes
Mr. Ibrahim Mohammad Al Alshaikh	Yes	Yes	Yes	Yes

Nominations and Remunerations Committee

Committee Tasks:

1. Recommend the names of candidates for the Board's membership in accordance with the adopted policies and standards; taking into account not to nominate any person that has been previously convicted of a crime against honor and trust.
2. Conduct the annual audit for the required needs from adequate skills for the Board's membership and prepare a description for the capabilities and qualifications required for the Board's membership, including determination of the time that the member needs to devote for the Board's work.
3. Audit the Board's structure and make recommendations on the possible changes.
4. Identify the Board's weaknesses and strengths and propose to address them in accordance with the Company's interests.
5. Ensure the independence of the independent members on an annual basis, and the absence of any conflict of interest, if the member is a board member in another company(s).
6. Develop clear policies for the compensations and remunerations of the Board members and the Senior Executives and take into account to use the performance-related standards when developing such policies.

Committee's Formation:

There has been no change in the Nominations and Remunerations Committee at the Board's third session. The Nominations and Remunerations Committee consists of three members: two non-executive members and an executive member; and the following are the names and classifications of the Committee's members:

Name	Position	Membership Classification
Mr. Fahad Mohammad Alamoudi	Chairperson	Chairperson
Mr. Ibrahim Fahad Alassaf	Vice-Chairperson	Executive Member
Mr. Ali Hussein Alshareif	Member	Non-Executive Memeber

The Nominations and Remunerations Committee's Meetings in 2022:

Name	First Meeting on 20 March 2022	Second Meeting o 21 November 2022
Mr. Fahad Mohammad Alamoudi	Yes	Yes
Mr. Ibrahim Fahad Alassaf	Yes	Yes
Mr. Ali Hussein Alshareif	Yes	Yes

Executive Committee

The Executive Committee works on behalf of the entire Board of Directors when it is not in session; in order to assist the Board in carrying out its tasks in the most effective manner, and to facilitate the decision-making between the Board meetings or deal with emergencies, crises or other emergency situations requiring immediate attention.

Committee's Tasks:

1. Supervise the implementation of the Board's decisions and their effectiveness in influencing the Company's operations.
2. Inform the Board of Directors when it convenes on the decisions taken by the Executive Committee and its justifications.
3. Supervise the annual strategic planning process and assess the performance in achieving the objectives.
4. Supervise the work and recommendations of the standing committees.
5. Take urgent decisions on behalf of the Board when the entire Board is not in session.
6. Work as a senior advisory group for the Executive Management when unforeseen needs or emergencies arise
7. The Committee prepares the Company's investment policy and submits it to the Company's Board of Directors for approval, and it is responsible for supervising the policy's application.
8. Adopt the Company's investments after ensuring its compliance with the investment policy and the annual plans, and its fulfillment of the terms and regulations of the Capital Market Authority.

Committee's Formation:

The Executive Committee was reconstituted at the beginning of the Board's third session, and it consists of four members: two non-executive members, executive member, and independent member. The following is the names and classifications of the Committee members:

Name	Position	Membership Classification
Mr. Ibrahim Mohammad Al Alshaikh	Chairperson	Non-Executive Member
Mr. Ayedh Farhan Alqahtani	Vice-Chairperson	Non-Executive Member
Mr. Ibrahim Fahad Alassaf	Member	Executive Member
Mr. Mohammad Sulaiman Alharbi	Member	Independent Member

Executive Committee Meetings in 2022:

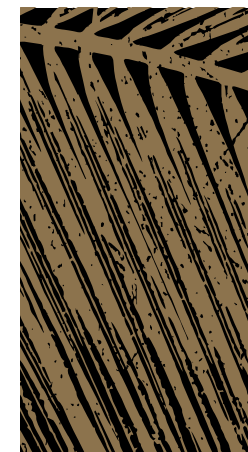
Member Name	First Meeting on 8 June 2022	Second Meeting on 17 August 2022	Third Meeting on 26 Oct. 2022	Fourth Meeting on 29 Dec. 2022
Mr. Ibrahim Mohammad Al Alshaikh	Yes	Yes	Yes	Yes
Mr. Ayedh Farhan Alqahtani	Yes	No	No	Yes
Mr. Ibrahim Fahad Alassaf	Yes	Yes	Yes	Yes
Mr. Mohammad Sulaiman Alharbi	Yes	Yes	Yes	Yes

Remunerations and Compensations of the Board Members and Senior Executives

Statement	Executive Board Directors *	Non-Executive Board Directors	Independent Board Directors
Board Meetings Allowance	-	-	27,000
Committees Meetings Allowance	-	-	36,000
Periodical and annual Bonuses	80,000	320,000	240,000
Incentive Plans	-	-	-
Any other in-kind benefits or compensations paid monthly or annually	-	-	-
Total	80,000	320,000	303,000

* As a Board Directors.

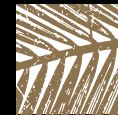
Statement	Five senior executives received the highest remunerations, along with the CEO and CFO, if not included
Salaries & Wages	3,895,908
Allowances	180,466
Periodic & Annual Bonuses	615,780
Incentive Plans	150,000
Commissions	-
Any other in-kind benefits or compensations paid monthly or annually	150,000
Total	4,992,154



Annual Audit Results of the Control Systems and Procedures and the Audit Committee's opinion on the Adequacy of the Internal Control System

In the context of further developing the Company's internal control procedures, the Audit Committee conducts periodic reviews for the control and operational procedures; in order to verify their adequacy and efficiency, along with developing them in accordance with the developments in the internal and external business environment, the systems, regulations, instructions and directives issued by the Capital Market Authority (CMA); as the Committee reviewed the Company's control and operational systems and procedures in 2022.

The Committee emphasizes the integrity and effectiveness of the Company's internal control procedures; which are based on the decisions submitted to the Committee from the Company's relevant departments; and the Committee did not find any clear fundamental weakness in the Company's Internal Control System.





Risks



Risks

Following the Risks that may face the Company which are pursued to reduce and monitor them:

Financial Risks:

Financial risks are generally defined as fluctuations in the economic value or the income, and they include the following:

1. Market Risks:

They are risks resulting from the negative market price movements (resulting from changes in the market conditions and the market fluctuations); and the market risks include the following risks:

- Market Price Risks for Shares.
- Currency Risks
- Credit Margin Risks
- Risks of Lack of New Investment Opportunities
- Risks related to Interest Rate Changes and Inflation

2. Liquidity Risks:

Liquidity risks are represented in the difficulties that the Company may face in securing appropriate cash flows; in order to meet the obligations arising therefrom when due; and that is due to the inability to liquidate assets or obtain adequate financing. Liquidity risks also include the following risks:

- Cash Flow Risks
- Alternative Opportunities Costs Risks
- Concentration Risks

3. Credit Risks:

Credit risks are represented in the failure or inability of the counterparty (whether normal person or legal entity) to meet its financial obligations in accordance with the terms of the agreed contract. Credit risks also include the following risks:

- Risks of Default, Delay or Inability to Pay
- Counterparty Risks (Settlements)
- Custodian Risks

Operational Risks:

The risks of losses arising from the inefficiency or failure of internal operations, individuals and systems, or arising as a result of external events involving legal risks. The operational risks are either internal or external risks, and they include the following risks:

1. Individual Risks (e.g. staff failures, human resources risks, incidents to which key staff may be exposed, recruitment practices and space safety, illegal acts).
2. Internal Operations Risks (e.g., poor or lack of due diligence procedures or account settlement procedures, business risks including mergers and acquisitions, and new products risks).

Strategic Risks:

They are risks of loss resulting from the environment in which the Company operates; and strategic risks include the following risks:

1. Systems and Information Security Risks
2. External Events Risks

Reputational Risks:

They are risks of loss resulting from damage to the brand name as an important asset in the intellectual property; which can result in legal risks or risks of compliance with the systems, laws and regulations. The reputational risks directly affect the Company's brand, and client satisfaction is one of the most important reasons affecting the Company's reputation.

Compliance Risks:

They are risks related to total or partial incompliance with the systems, regulations, legislations and circulars that apply to the Company's activities and operations, and are issued by various regulatory authorities, which may lead to the Company's exposure to violations, penalties, fines, suspension or withdrawal of granted licenses.

Information Security Risks:

These are threats / risks related to the protection of the Company's technology infrastructure, such as systems, networks, software, etc., against any electronic problems, obstacles or attacks which may prevent their effective and efficient operation. Such threats usually target sensitive information with the aim of changing or destroying them or disrupting their effective operation.

Natural Disasters and Pandemics Risks:

These are risks related to unforeseen events caused by natural forces (floods, earthquakes, storms, diseases, etc.) or by acts of man, resulting in heavy losses of life and the destruction of property, with severe effects on the economy and social life. Their impact extends beyond the Company and may exceed the Company's ability to overcome them using its own resources.



Risk Managements

The risks are managed by Company by applying the following control methods and procedures:

Risk Type	Control Procedure
Market Risks	The capital requirements for facing the market risks are managed according to the standard method identified by the regulatory authority, which is mentioned in the Financial Adequacy Rules.
	Identify, measure and control the market risks using a combination of instruments, including securities analysis, macro and microeconomics, industry analysis, supply and demand factors, competition, and risk analysis and assessment.
	Comply with the restrictions and limits as stipulated in the internal policies or regulations.
	Assess the concentration ratios including the asset class and the geographical coverage; as liquidity is a key element in determining the assets' quality.
	Timely and accurate monitoring and reporting on the market risk exposure and the minimum capital requirements to meet the unforeseen market risk events (CAM Monthly Report, ICAAP Annual Report, and Pillar III Disclosure Report).
	Conduct a pre-assessment through adequate and appropriate due diligence procedures.
Liquidity Risks	Control and monitor the cash flow forecasts and the liquidity ratios
	Assess the liquidity risks using the maturity date method, which includes analyzing the liquidity gaps at different time periods.
	Use the liquidity ratios coverage calculation method.
	Calculate the total external cash flows.

Risk Type	Control Procedure
Credit Risks	Conduct an appropriate assessment and audit for the investment's quality.
	Conduct the due diligence procedures towards the counterparty.
	The existence of standards and a process for the selection.
	Audit and monitor the concentration limits on an ongoing basis.
	Meet the capital requirements of the credit risks according to the CMA requirements, the Financial Adequacy Rules, the first pillar, and the credit limit control.
	Conduct the adequate and proper due diligence procedures in advance.
	Analyze the risk factors, and analyze the investment against the expected returns.
	Conduct an appropriate and adequate analysis of the target company's sectors and operations.
	Analyze the Company's financial statements/targeted investment.
	Review and analyze the legal, regulatory, administrative and technical framework for the Company/targeted investment.
	Audit and analyze the investment decision-making mechanism and process.
	Prepare a feasibility study and accurate assessment of the targeted investment.
	Analyze the macro and microeconomic factors, the competition, the market share, and the future opportunities for growth.

Risk Type	Control Procedure
Operational Risks	Spread the culture of good compliance and behavior that encourages an understanding of the nature of the operational risks that an employee may face when exercising his tasks; and that is within an environment that encourages disclosure of the operational incidents, and collectively works on avoiding them, minimizing their effects, and adhering to the Company's Professional Conduct Charter.
	Develop the operational and control policies and procedures; take effective actions on the internal control, and audit the accounts and settlements.
	Achieve appropriate separation between the tasks and duties.
	Develop contingency plans and programs, and appropriate and tested plans on the ability to resume work in all circumstances and various possibilities, including the Business Continuity Plan and the Business Resumption Plan.
	Indemnity insurance
	Clearly define the responsibilities and duties for all the positions; in addition to having sufficient staff to the work in a satisfactory manner (succession planning policy, job description, and good recruitment procedures).
	Adopt a conservative methodology for the first pillar, which is coverage of the appropriateness of the pillar's requirements in terms of the capital requirements to be allocated to meet the operational risks (as specified in the Financial Adequacy Rules).
Strategic Risks	Presence of appropriate and effective governance.
	Presence of a comprehensive general framework for the risks that may face the Company's business, activities and operations, along with auditing and controlling these risks on a periodic manner to verify their effectiveness and update them according to the latest developments.
	Control and follow-up with the risks of the surrounding environment and the business portfolio risks in particular; in order to develop appropriate plans to address these risks.
	Conduct an annual audit for the Company's business plan and update it in light of the challenges, changes and risks that may arise.
	Allocate the resources in an optimal manner that achieves the Company's strategic objectives.
	Give importance to the stakeholders, especially the clients, and work on attracting the largest number of clients and providing them with appropriate high-quality services, in addition to providing quick response to the client complaints.

Risk Type	Control Procedure
Reputational Risks	Achieve effective and appropriate supervision by the Board of Directors.
	Integrate risks into the Company's strategy and business planning.
	Achieve effective communication and establish a good reputation and image for the Company.
	Develop high values for the Company, supported by appropriate performance incentives.
	Establish and promote a culture of compliance with the internal systems, regulations, and policies.
	Achieve effective communication with the stakeholders (shareholders, suppliers, and clients).
	Establish, promote, and develop a suitable control environment.
	Presence of an effective policy to deal with the client complaints and suggestions.
	Analyze the Company's performance and its comparison with its counterparts in the same field, size and nature of business.
Compliance Risks	Develop a conformity and compliance program and supervise its implementation.
	Raise awareness and promote a culture for the importance of compliance and combating money laundering; in addition to the professional practices and good behaviors.
	Have zero tolerance with the incompliance cases, and take disciplinary actions against the violators.
	Conduct a periodic audit to verify the compliance of all the departments with the applicable systems, regulations and circulars, and establish the appropriate corrective procedures, along with submitting them to the Audit Committee.

Risk Type	Control Procedure
Information Security Risks	Increasing employees' awareness of cybersecurity and information security, and developing employees' cybersecurity knowledge through periodic publications and training sessions.
	Approving plans and developing advance methodology to detect, analyze and handle warnings.
	Responding promptly to the alerts received from the Saudi CERT, the National Information Center or any other government departments, and sharing them with the employees.
	Sharing the best practices which help alleviate security gaps.
	Providing a firewall, virus protection, spam protection and content filtering softwares.
	Providing auxiliary power supply to provide backup in the event of any possible power outage.
	Providing a data recovery center (DRC), as well as secure and well equipped back up workplaces at a separate location away from the Company's Head Office.
	Providing a phishing awareness solution.
Natural Disasters and Pandemics Risks	Designating the alternate location and assessing its capability of accommodating critical operations (disaster recovery center and back up workplaces).
	Ensuring the activation of all systems necessary to enable working remotely.
	Putting and developing appropriate plans and systems to deal with emergencies.
	Ensuring business continuity, conducting regular tests and addressing various scenarios to verify the systems' efficiency and effectiveness.
	Designating the key personnel who will perform the business activities out of the alternate location (in the event they are unable to work remotely).

The Company's Compliance with the Regulations

Musharaka Capital endeavors to fully comply with laws, regulations, instructions and directives issued by the Capital Market Authority (CMA). In 2022, the Company was cited for four violations by the CMA, as follows:

- Musharaka REIT Fund's violation of the provisions of Paragraph (b) of Article 49 of the Real Estate Investment Funds Regulations, for failure to comply with CMA's notice and to disclose to Unitholders without delay the occurrence of a material event affecting the Fund.
- Musharaka Capital's violation of Paragraph (c) of Article 78 of the Capital Market Institutions Regulations, for failure to submit the compliance report on Client Money Rules for FY 2021 within the specified time limit.
- Violation of Paragraph (T) of Part 3 of the Real Estate Investment Traded Funds Instructions for failure to provide an updated version of Musharaka REIT Fund's Terms and Conditions to CMA within (10) days of making any changes to it, as well as a copy to the Custodian once updated.

- Violation of Paragraph (a) of Article 27 of the Real Estate Investment Funds Regulations for failure to notify the CMA and disclose to Unitholders of any non-fundamental changes in Musharaka REIT Fund ten (10) days prior to the effective date of the change.

However, the Company was neither penalized nor fined, and no preventive or restrictive measure was taken by any other supervisory, regulatory or judiciary authority.

Necessary and appropriate corrective plans were put in place to ensure non-recurrence of any of the comments or violations. The Company acknowledges its full compliance with the Capital Market Law, its Implementing Regulations and all other applicable regulations.

Description of the Interests of the Board Members, Top Executives and Their Relatives in the Company's Shares or Debt Instruments

The Board members and their relatives have interests in the shares of Musharaka Capital.

A change was made in the Company's Shareholders' Register in 2022, namely the transfer of the total shareholding of Sadara Development Investment Company to Ebreez Arabia Company. Both companies are owned by the same shareholders, including Board Member Mr. Ibrahim Mohammed Al Alshaikh.

Company's Loans

Grantor	Financing Type	Financing Date	Entitlement Date	Original Amount	Payments during the Fiscal Year	Remaining Amount
Alinma Investment Company	Margin Lending	20/12/2022	12/12/2023	SAR 3,786,077	SAR 768,077	SAR 3,000,000

Business and Contracts Between the Company, Board Members and Top Executives

A number of business agreements or contracts were signed with the Company during the year, in which a Board member had a (direct or indirect) interest. These are:

1. The Company's Head Office lease agreement in Adeer Tower signed with Adeer Real Estate Company, was renewed for a term of 18 months with a total rental value of SAR 1,582,515. Another lease agreement was also signed for an additional office space (at the Company's Head Office in Al Khobar) in the same Tower, for a term of 3 years with a total value of SAR 2,094,840 without any preferential terms. The Chairman of the Board of Adeer Real Estate Company is Mr. Ayedh Farhan Alqahtani (Musharaka Capital's Chairman of the Board). He also holds an indirect interest in Musharaka Capital, and an indirect controlling interest in Adeer Real Estate Company.
2. A contract for arranging and advisory services was signed between Musharaka Capital and Adeer Real Estate Company. The Chairman of the Board of Adeer Real Estate Company is Mr. Ayedh Farhan Alqahtani (Musharaka Capital's Chairman of the Board). He also holds an indirect interest in Musharaka Capital, and an indirect controlling interest in Adeer Real Estate Company. The objective of the Contract is to offer the shares of Adeer Real Estate Company on the Parallel Market (NOMU), without any preferential terms. The Contract is for an unspecified period and terminates upon the realization of its objective. The Contract fees are a sum total of SAR 420 thousand, plus offering success fees.

3. An agreement was signed appointing Somou Holding as developer and real estate marketer for La Perla II Fund, a private real estate fund managed by Musharaka Capital, to develop a number of real estate investment components of the Fund based on the market study and the engineering design to be prepared for the project. The term of the agreement is unspecified and subject to the development plan to be agreed upon and the Fund's Terms and Conditions. The fees payable to Somou Capital equal 10% of development costs. The Board of Directors and the General Assembly of Musharaka Capital held on 20 April 2022 approved the signing of the Agreement. The Agreement was signed without any preferential terms, The Chairman of the Board of Somou Holding Company is Mr. Ayedh Farhan Alqahtani (Musharaka Capital's Chairman of the Board), He also holds an indirect interest in Musharaka Capital , and an indirect controlling interest in Somou Holding Company.

Musharaka Capital Subsidiaries

Company Name and Type	Capital (SAR)	Musharaka Ownership	Activity	Head Office	Place of Incorporation
Tanseeq Aloula Trading Company (LLC)	10,000	100%	Commercial services; sale, purchase, and lease of land and real estates; and general contracting	Khobar, Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Tanseeq Al-Taqa Investment Company (LLC)	10,000	100%	Installation, maintenance and repair of solar power grids	Khobar, Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Armas Company Ltd. (LLC)	6,900,000	25%	Wholesale and retail trade in industrial marble and granite, wooden platforms, wooden and metal furniture	Khobar, Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Musharaka Investment Holding Company (LLC)	5,000,000	40%	Subsidiary management and investment, own Industrial property rights	Khobar, Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Musharaka GAD Company (LLC)	10,000,000	20%	Medical operations of Medical complexes, Hospitals and One day Centers surgery	Khobar, Kingdom of Saudi Arabia	Kingdom of Saudi Arabia



Financial Results and Disclosures



Independents Auditor's Report

To the Shareholders
Musharaka Capital Company
(A Saudi Closed Joint Stock Company)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Musharaka Capital Company (the "Company"), a Saudi Closed Joint Stock Company, which comprise the statement of financial position as at 31 December 2022, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 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 the 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. 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 that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

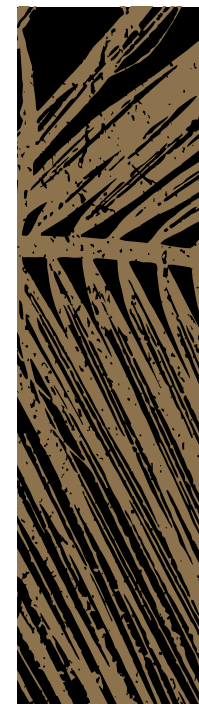
Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and regulations for companies and company's by law and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of 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 i.e. Board of Directors, 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.





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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 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 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.

- 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.

Other matter

The financial statements of the Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements dated 22 March 2022.

RSM Allied Accountants for Professional Services

Mohammed Farhan bin Nader

License No. 435

Al-Khobar, Saudi Arabia

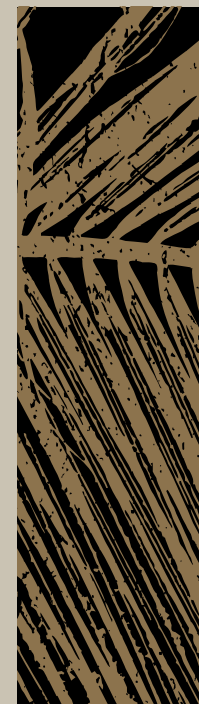
30 March 2023 (corresponding to 7th Ramadan, 1444)

Financial Statements

Statement of profit or loss and other comprehensive income

(Expressed in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December	
		2022	2021
Income			
Asset management and advisory fees	4	37,142,263	20,984,002
Gain on investments carried at fair value through profit or loss	12	4,534,224	1,887,756
Share of profit of associates and unconsolidated subsidiaries accounted for using equity method	11	1,307,419	1,786,517
Other income		11,472	855,000
		42,995,378	25,513,275
Operating expenses			
Selling and marketing expenses		(231,550)	(143,056)
General and administrative expenses	5	(25,469,562)	(15,581,535)
Finance costs	6	(543,045)	(615,101)
		26,244,157	16,339,692
Profit before zakat		16,751,221	9,173,583
Zakat expense	23	(1,250,000)	(1,121,172)
Profit for the year		15,501,221	8,052,411
Other comprehensive income:			
Items that will not be reclassified to profit or loss-		-	-
(Loss) gain on remeasurement of employee benefit obligations	20	(60,472)	539,666
Share of OCI of associates accounted for using equity method	11	-	(7,144)
Other comprehensive income for the year		(60,472)	532,522
Total comprehensive income for the year		15,440,749	8,584,933

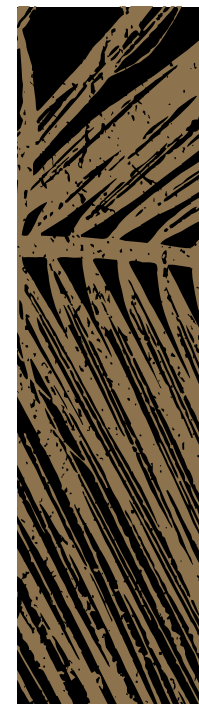



Statement of financial position

(Expressed in Saudi Riyals unless otherwise stated)

Assets	Note	As at 31 December	
		2022	2021
Non-current assets			
Property and equipment	7	3,100,937	1,602,701
Right of-use-asset	8	6,438,788	5,518,685
Intangible assets	9	369,543	542,484
Investment in unconsolidated subsidiaries	10	2,017,671	18,195
Investment in associates	11	43,928,549	46,185,320
Total non-current assets		55,855,488	53,867,385
Current assets			
Investments carried at fair value through profit or loss	12	19,663,595	19,931,146
Accounts receivable	13	10,518,165	10,608,004
Prepayment and other receivables	14	1,528,901	1,485,473
Cash and cash equivalents	15	9,942,776	5,506,650
Total current assets		41,653,437	37,531,273
Total assets		97,508,925	91,398,658

Equity and liabilities	Note	2022	2021
EQUITY			
Share capital	16	65,000,000	65,000,000
Statutory reserve	17	3,279,534	1,729,412
Retained earnings		12,165,169	9,914,070
Remeasurement reserves of employee benefits obligations	20	464,038	524,510
Total equity		80,908,741	77,167,992



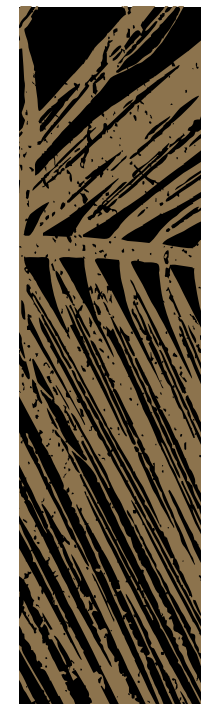


Liabilities	Note	2022	2021
Non-current liabilities			
Lease liabilities	19	5,324,370	4,827,294
Employee benefit obligations	20	2,242,741	1,791,513
Total non-current liabilities		7,567,111	6,618,807
Current liabilities			
Short-term borrowings	21	917,400	842,748
Current portion of lease liabilities	19	3,000,000	3,786,077
Accrued expenses and other liabilities	22	3,786,320	1,982,488
Zakat provision	23	1,329,353	1,000,546
Total current liabilities		9,033,073	7,611,859
Total liabilities		16,600,184	14,230,666
Total equity and liabilities		97,508,925	91,398,658

Statement of change in equity

(Expressed in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Remeasurement reserve of employee benefit obligations	Total
At 1 January 2021	65,000,000	924,171	7,216,900	(15,156)	73,125,915
Profit for the year	-	-	8,052,411	-	8,052,411
Other comprehensive loss for the year	-	-	-	539,666	539,666
Total comprehensive income	-	-	8,052,411	539,666	8,592,077
Transfer to statutory reserve	-	805,241	(805,241)	-	-
Dividend paid (note 18)	-	-	(4,550,000)	-	(4,550,000)
At 31 December 2021	65,000,000	1,729,412	9,914,070	524,510	77,167,992
Profit for the year	-	-	15,501,221	-	15,501,221
Other comprehensive income for the year	-	-	-	(60,472)	(60,472)
Total comprehensive income	-	-	15,501,221	(60,472)	15,440,749
Transfer to statutory reserve	-	1,550,122	(1,550,122)	-	-
Dividend paid (note 18)	-	-	(11,700,000)	-	(11,700,000)
At 31 December 2022	65,000,000	3,279,534	12,165,169	464,038	80,908,741

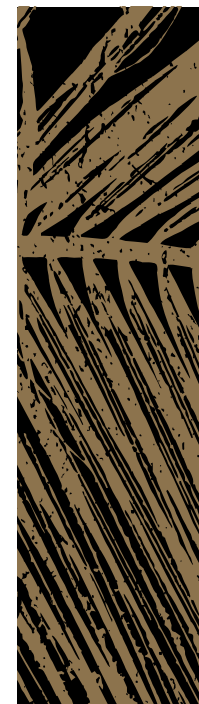




Statement of cash flows

(Expressed in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December	
		2022	2021
Cash flows from operating activities			
Profit before zakat		16,751,221	9,173,583
Adjustments for			
Depreciation and amortization	7,8,9	2,347,642	1,500,063
Finance cost	6	543,045	615,101
Share of results of unconsolidated subsidiaries and associates accounted for using the equity method, net	11	(1,307,943)	(1,786,517)
Gain on investments carried at fair value through profit or loss	12	(4,534,224)	(1,887,756)
Employee benefit obligations	20	468,138	469,037
Changes in operating assets and liabilities			
Decrease in trade receivables		89,839	3,498,157
Increase in prepayments and other receivables		(43,428)	(775,931)
Increase (decrease) in accrued expenses and other liabilities		1,809,855	(588,577)
Cash generated from operations		16,124,145	10,217,160
Employees benefit obligations paid	20	(77,382)	(62,638)
Finance cost paid		(187,415)	(287,530)
Zakat paid	23	(921,193)	(1,120,627)
Net cash inflow from operating activities		14,938,155	8,746,365



Statement of cash flows

(Expressed in Saudi Riyals unless otherwise stated)

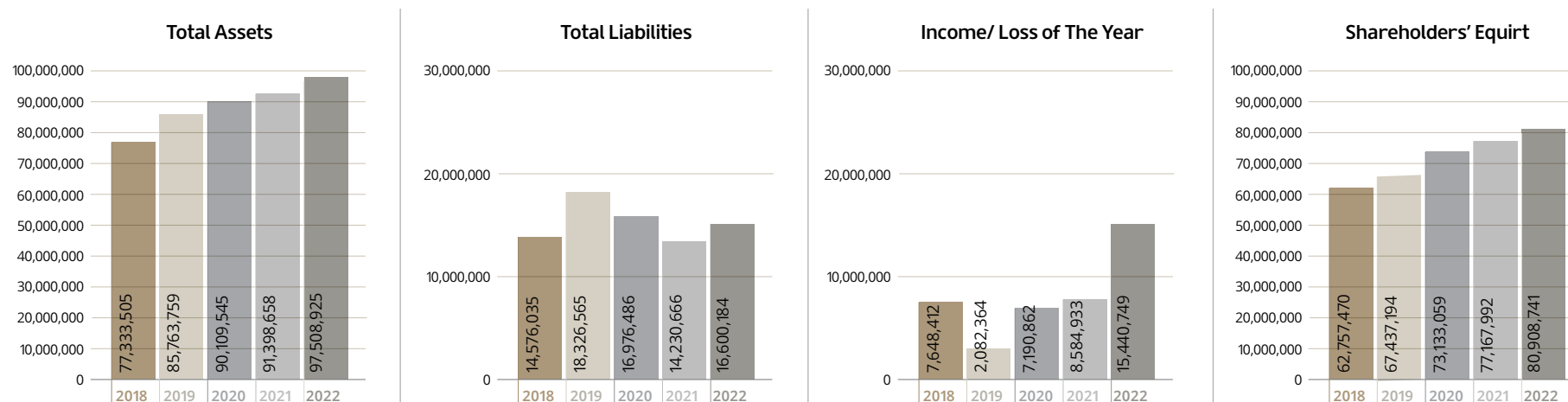
	Note	2022	2021
Cash flows from investing activities			
Proceeds from the sale of investments carried at fair value through profit or loss	12	10,050,661	7,299,075
Additions to investments carried at fair value through profit or loss	12	(7,254,385)	(10,310,416)
Loan reimbursement from an associate	11	775,000	-
Addition in investment in associate		-	(400,000)
Dividends received from an associate	11	2,789,714	2,789,714
Payments for the purchases of property and equipment	7	(2,080,082)	(530,977)
Payments for addition to intangible assets	9	(52,407)	(34,500)
Net cash outflow from investing activities		4,228,501	(1,187,104)
Cash flows from financing activities			
Repayment of Lease liability	19	(2,244,453)	(1,159,397)
Short term loan	21	(786,077)	(1,990,503)
Dividends paid	18	(11,700,000)	(4,550,000)
Net cash outflows from financing activities		(14,730,530)	(7,699,900)
Net change in cash and cash equivalents		4,436,126	(140,639)
Cash and cash equivalents at the beginning of the year		5,506,650	5,647,289
Cash and cash equivalents at the end of the year	15	9,942,776	5,506,650

08

A Clarification of any Fundamental Differences in the Operating Results from the Previous Year

Musharaka Capital's total operating revenues increased in 2022 taking into account La Perla Fund's performance fees received upon the termination of the Fund (non-existent in the previous year). Management fees increased significantly, YoY, due to the Company's launch of new product offerings resulting in added management fees, structuring fees and transaction fees. However, investment banking revenues remained flat. Moreover, the performance of Musharaka Capital's portfolio improved significantly in 2022.

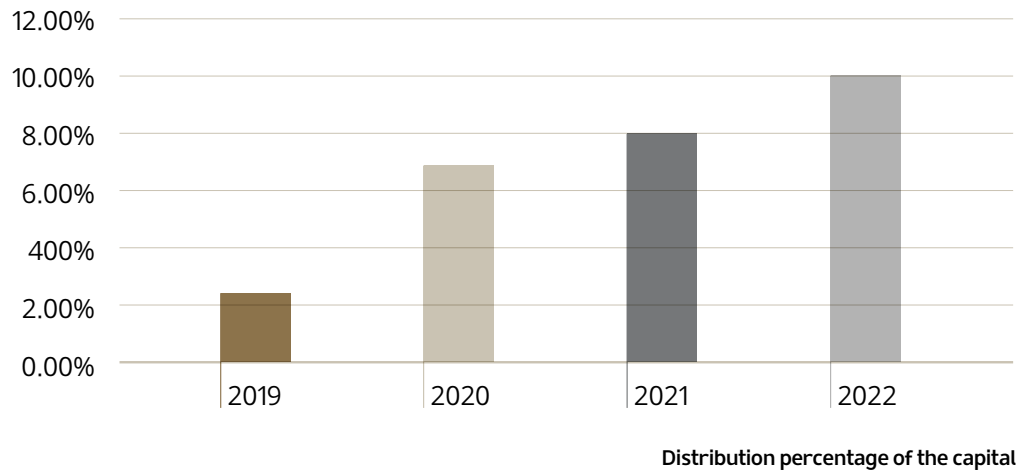
Comparison of the Company's Assets, Liabilities and Business Results in the Recent Fiscal Years



Cash Distributions

The Board of Directors approved the recommendation of the Executive Management to distribute a cash dividend of SAR 1 per share for the Fiscal Year ending 31 December 2022, at a rate of 10% of the Company's share capital, to be voted on at the next General Assembly Meeting.

Cash Distributions to Shareholders in the Previous Years



09

Social Responsibility

Signing a Memorandum of Understanding with “Ertiqa” Society

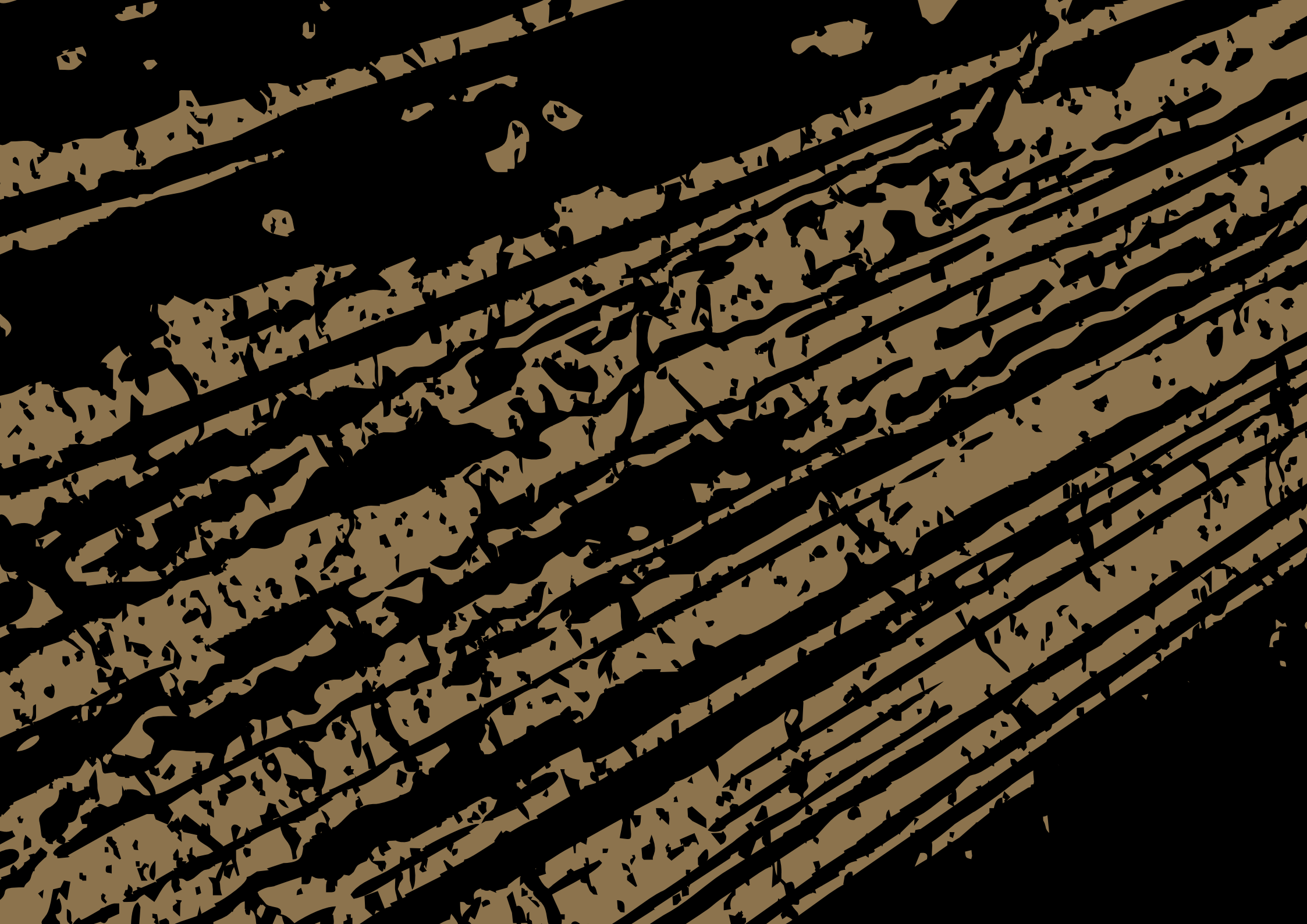
The Company and “Ertiqa” Society signed a memorandum of understanding covering social responsibility. Under this MoU, Musharaka Capital undertakes to support the Society’s activities by promoting community awareness of the noble objectives of the Society. It also provides the Society with its redundant computer equipment for the society to upgrade and enhance them and subsequently distribute them to charitable societies, education institutions and community organizations.



Organizing a Seasonal Flu Vaccination Campaign for the Company's Employees

Believing in the important role the private sector plays in supporting community health initiatives, and in order to promote the awareness of the Company's employees of the importance of seasonal flu vaccinations, Musharaka Capital organized in collaboration with the Directorate of Health Affairs in the Eastern Region, a seasonal flu vaccination campaign for the Company's employees and promoted the awareness of the employees of the benefits of vaccination.





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