

# 2023



## Musharaka Capital Company

### Annual Report 2023



Custodian of the Two Holy Mosques

**King Salman bin Abdulaziz**

God save him



His Royal Highness the Crown Prince, Prime Minister

**Prince Mohammed bin Salman bin Abdulaziz**

God save him





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# 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 from its branch in Riyadh.

Overview of the Company’s significant plans and decisions in 2023

The Company’s significant plans and decisions in 2023 included the startup of its brokerage activity, with the pilot launch of the brokerage services in August 2023. The year also saw an increase in the number of investment fund offerings which were fully subscribed. A significant number of custody and fund operation contracts were also signed throughout 2023.



## 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.

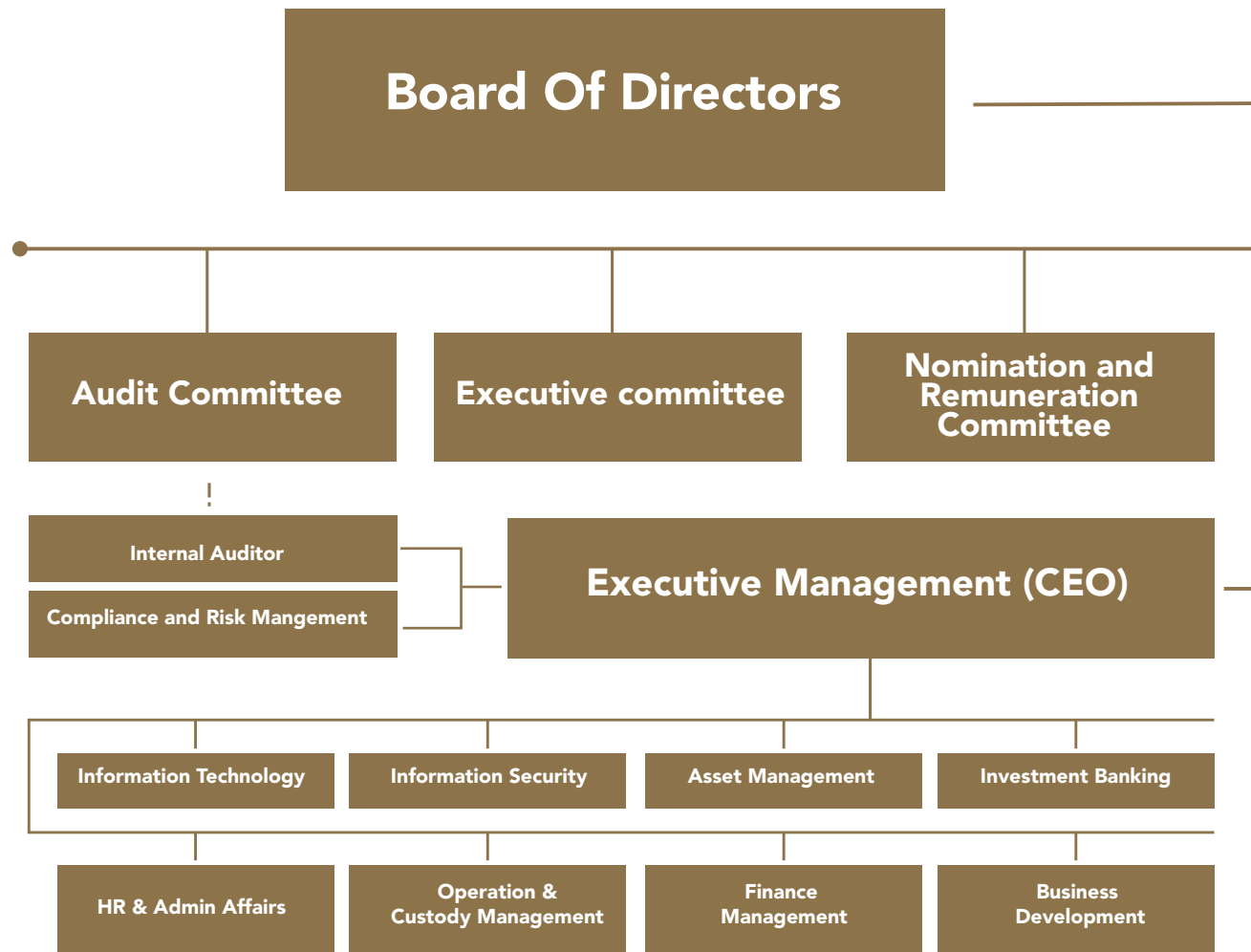
### Our Vision

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.

## Organizational 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 to-morrow'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 of Directors



**Mr. Ayedh Farhan Alqahtani**

(Chairman - Non-Executive Member)



**Mr. Fahad Sulaiman Alrajhi**

(Vice Chairman - Non-Executive Member)



**Mr. Ibrahim Fahad Alassaf**

(Executive Member, MD & CEO)



**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)

## Board Message

Esteemed Shareholders,

We are pleased to present to you a summary of the Company's activities for 2023. As always, we were keen to present a full and comprehensive report highlighting the figures achieved in all aspects of the Company's business.

FY 2023 was full of achievements, with the Company meeting all of its main objectives. Revenues increased by 6.3% and total assets increased by 17%, while assets under management increased by around 40% and the number of clients rose by 73%.

FY 2023 also saw the pilot launch of the Musharaka Brokerage Activity becoming a Saudi Exchange Member. Qualified staff were recruited to handle all related Brokerage operational activities. The Company achieved a trading volume in excess of SAR 1 billion over the period from the pilot launch in mid-August to end 2023. On another front, the number of real estate investment funds also increased in 2023 by launching and closing seven new real estate funds in line with national trends in the real estate sector and the current urban development of the Kingdom under the Saudi Vision 2030. This was accompanied by the outstanding achievements of our Investment Banking Department, with financing in excess of SAR 250 million arranged for a number of investment funds. A number of contracts was also signed to provide advisory services to several clients. As for the custody activity, the Company bolstered its revenues from these activities by signing a number of custody and fund operation agreements, and we expect the launch of new investment funds in 2024 in various sectors to ensure the availability of diverse investment offerings to meet the aspirations of our clients and contribute to the achievement of their investment objectives.

We firmly believe in the importance of continuous technology upgrade and transformation, consolidating our operational systems and ensuring appropriate governance policies and procedures which contribute to institutional excellence in providing investment services. The Company's operational procedures are continuously developed and enhanced for efficiency excellence. Improving clients digital experience project was launched during 2023 to allow clients much better interaction and transaction execution. The Client Portal was also launched, and state of the art client services platforms and technologies were deployed. We also endeavored in 2023 to increase our Saudization ratio, with Saudi employees

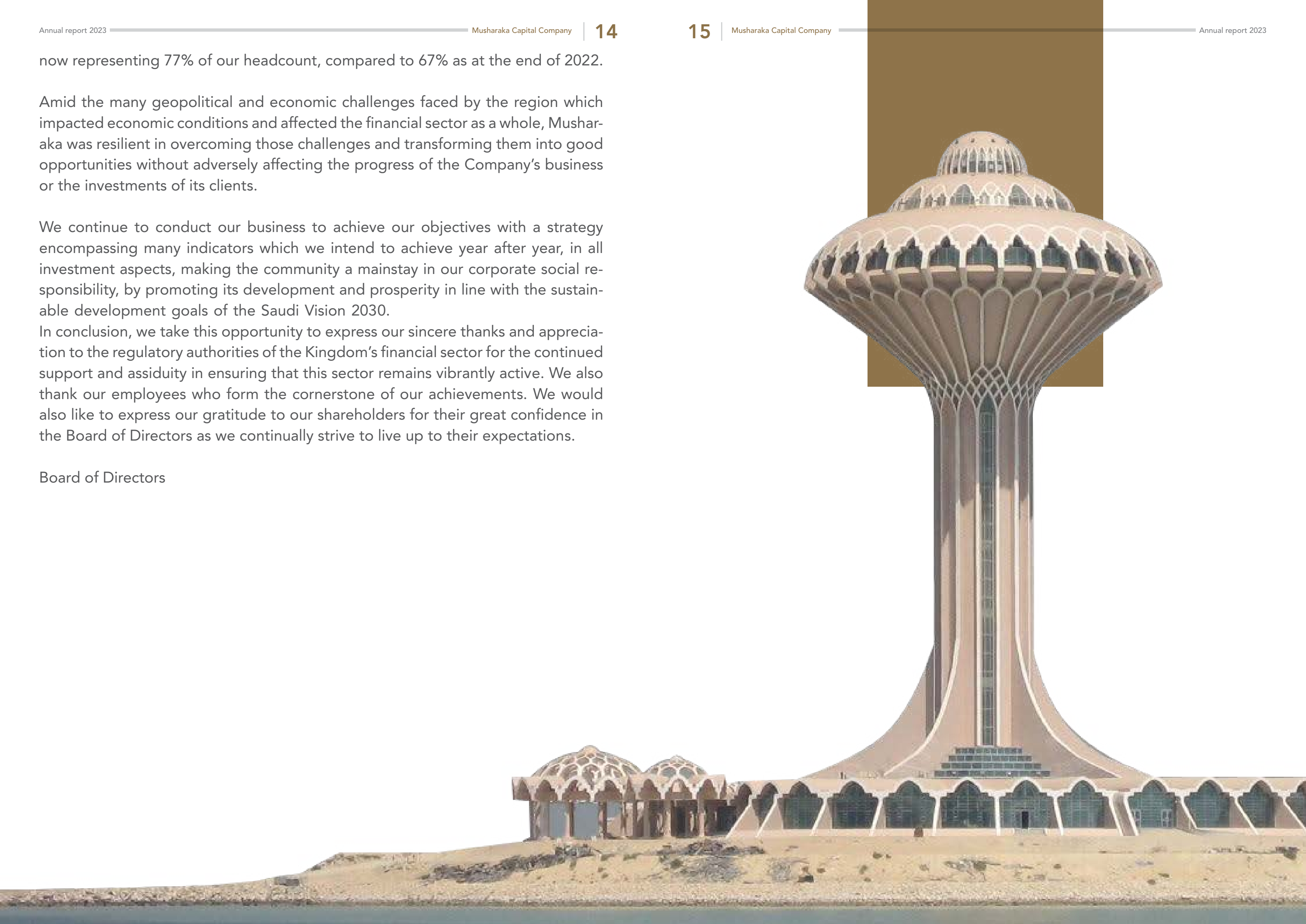
now representing 77% of our headcount, compared to 67% as at the end of 2022.

Amid the many geopolitical and economic challenges faced by the region which impacted economic conditions and affected the financial sector as a whole, Musharaka was resilient in overcoming those challenges and transforming them into good opportunities without adversely affecting the progress of the Company's business or the investments of its clients.

We continue to conduct our business to achieve our objectives with a strategy encompassing many indicators which we intend to achieve year after year, in all investment aspects, making the community a mainstay in our corporate social responsibility, by promoting its development and prosperity in line with the sustainable development goals of the Saudi Vision 2030.

In conclusion, we take this opportunity to express our sincere thanks and appreciation to the regulatory authorities of the Kingdom's financial sector for the continued support and assiduity in ensuring that this sector remains vibrantly active. We also thank our employees who form the cornerstone of our achievements. We would also like to express our gratitude to our shareholders for their great confidence in the Board of Directors as we continually strive to live up to their expectations.

Board of Directors





## Main Achievements in 2023

### Operating the Brokerage Activity

The Company successfully completed all the requirements for launching its brokerage activity, and started offering its trading platforms on local, GCC and global markets through its website and mobile application. The pilot operation commenced in August 2023. By end of 2023, the volume of trading exceeded SAR 1 billion. The launch of the brokerage activity also supports the diversification of the Company's activities by financing brokerage clients (through Musharaka Margin Financing Fund), as well as discretionary portfolio management.

The actual operation of the activity and the launch of the marketing campaign is planned for the first half of 2024, when we expect to see a significant rise in the volume of trading.

### Managed Assets, Continuous Increase

The Company continued to maintain the pace of the increase of its managed assets, growing by 40% in 2023 with the offering of many investment funds, including Musharaka Margin Financing Fund, Musharaka Safa Real Estate Fund, Alkhayalah Elite Complex Fund, Ramz Tharwa Real Estate Fund and Al Maje-diah Office Tower Fund. These investment offerings complement Musharaka Capital's diversified investment products offered to the Company's clients.

Musharaka's Asset Management Department structured a number of outstanding investment funds in various sectors to be offered in 2024.



### Investment Banking and Active Contribution to Support the Company's Business Development

Adding to the Investment Banking Department's (IBD) previous successes, IBD arranged a number of financing contracts for investments funds in 2023, totaling in excess of SAR 250 million. A number of advisory contracts were also signed with a number of clients to provide financial advisory services, valuation, as well as offering and listing advisory services, which support the growth and diversification of the Company's revenues.

### Launch of the "Client Portal" Platform

In line with the Company's digitization plans, the Company launched in 2023 the Client Portal, which provides an outstanding client experience in completing all services online, starting with the opening of updating investment accounts, up to subscribing for investment products, and detailed monitoring of client investments. The Company has ensured in use of state of the art technology in the development of the Portal, and incorporated best cybersecurity practices in order to assure our esteemed clients a rich and safe experience.



### Enhancing Communication Channels with Clients

In our efforts to strengthen communication channels with clients, we have throughout the year added new channels for communicating with clients, using state of the art software and technologies, including the launch of the Chatbot service on the Company's website, and communication via WhatsApp, to provide an exceptionally easy client experience.

### Musharaka Saudi Equity Fund, an Exceptional Performance

Musharaka Saudi Equity Fund continued to achieve outstanding results, outperforming the Benchmark (TASI) by 23.78% in 2023, with the Fund recording an increase in unit value by 38% during the year, while the Benchmark rose by 14.2%. This exceptional performance was achieved thanks to the Fund Manager's successful implementation of asset allocation and equity selection strategies.

### Continued Expansion of the Custody Business

Continuing the previous efforts of the Operations Department to bolster the Company's revenues with greater efficiency, the Department succeeded in expanding its client base by signing several custody and fund operation agreements. It also actively engaged in upgrading the Department's digital infrastructure by adopting best in class systems and practices in order to provide highly effective and outstanding services to fund managers.

### Inauguration of Musharaka Lounge

To effectively communicate with all client segments, the Company inaugurated "Musharaka Lounge" on Olaya Road, Riyadh, to serve as a venue for meeting with and serving clients, while ensuring that they enjoy a unique and distinctive experience.



## Our 2024 Aspirations

As we start the new year, we aspire to accomplish more achievements as we continue our success story which we have carved over the previous years. This year will be filled with challenges, which we will transform into promising opportunities enabling us to conduct our activities to a high level of quality and excellence and achieve growth of our business, while we develop our systems in order to provide best of class unique and outstanding services to our clients.

In 2024, we look forward to innovation in providing our investment services and actively engaging in the management of our investment portfolios, to contribute to the growth of the Company's revenues and maximize service levels provided by the Company to its clients. We will also endeavor to bolster our brokerage management business in order to increase trading volumes and rank higher than our competition. In addition, we plan to increase the volume of our assets under management, consolidate continued growth in the number and size of investment funds by launching new funds in different sectors, particularly in the real estate and private equity sectors, thus increasing our assets under management and diversifying the investment options available to our clients.

Amid a highly competitive environment, we will assiduously endeavor to retain our outstanding talent and develop their skills to keep abreast of the fast pace of change. We will also augment our team by recruiting best talent to enhance operating efficiency and achieve the present and future aspirations of our clients, while increasing our Company's Saudization percentages.

Such aspirations cannot be achieved without digital transformation in all Company Departments, better corporate governance and related activities to achieve institutional excellence Company wide. We will also be committed in 2024 to our duties to our community, by contributing to the development and prosperity of society, and adding value to the investment sector. We are also fully committed to implementing initiatives to contribute to the achievement of the aspired sustainable development in line with the Kingdom's Vision 2030.



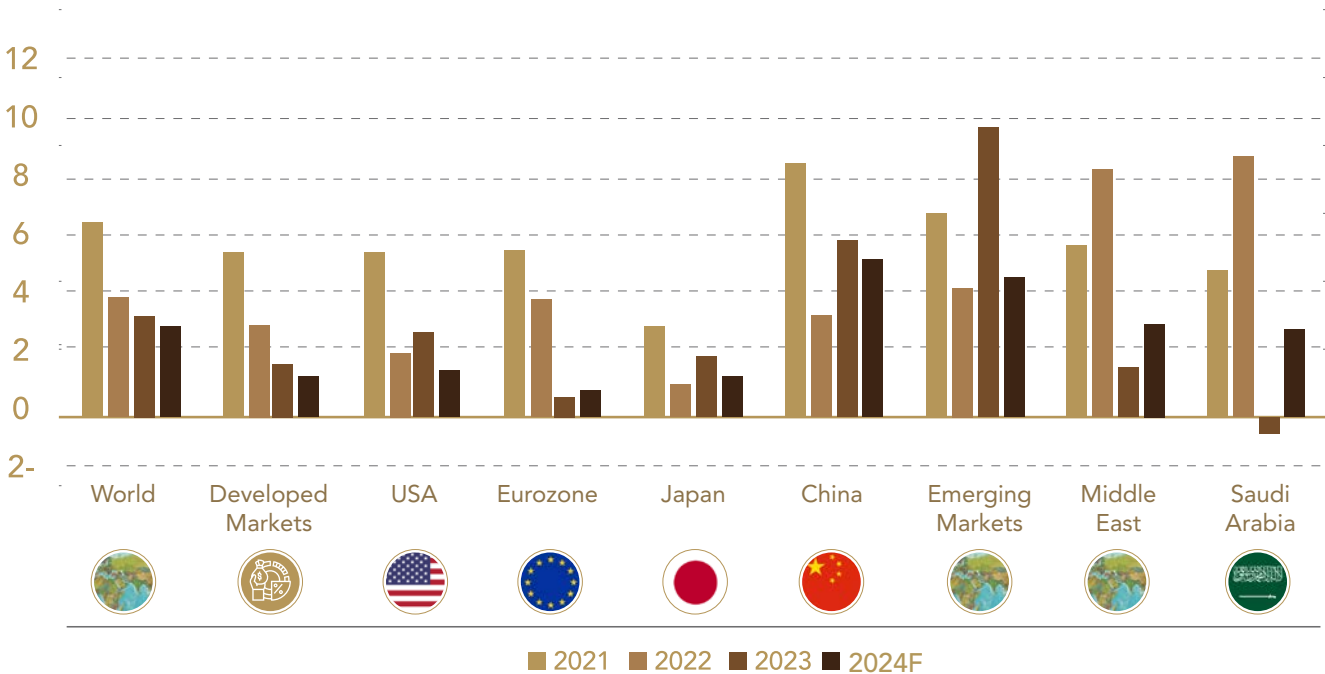
# Economy in 2023

## Global Economy

The global economic outlook has improved, with greater opportunities for a “soft landing” in the United States, particularly due to inflation decreasing to a little over 3% and unemployment remaining close to its lowest historical levels. The US Fed pointed out that it had completed its interest rate raising cycle, and that interest rates may decline in 2024. The main concerns over the weakening of the global economy stem from China, mainly due to contraction, higher unemployment and the undermining of the real estate and banking sectors.

The target range of the Fed’s rate of 4.5% - 4.75% as determined by the Fed’s Open Market Committee in its meeting for December 2024, points to a decrease in interest rates by 75 bps in 2024, while there are some projects for a 100 bps decrease in 2024. The Saudi Central Bank is expected to follow the Fed’s suit given the Saudi Riyal pegging to the US Dollar, with the repo rate expected to decrease by 100 bps to 5.0% in 2024.

## Real GDP Growth (%)





Saudi Economy

Domestic demand remains strong in the Kingdom of Saudi Arabia, supported by the booming projects market and the strong consumption growth. Following the relative slowdown in the third quarter, the non-oil economy started regaining its growth momentum, partially due to accelerated government spending. Non Oil GDP is expected to grow by 5.1% this year and by 5.2% in 2024.

Average Saudi crude oil production reached around 9.7 mbpd in 2023, a decrease of 8%, YoY. Available data shows that refinery production has decline by an annualized rate of 8%, which is higher than expected, and seems to be attributed to poor economic performance in Europe, which is the main market of Saudi petroleum products.

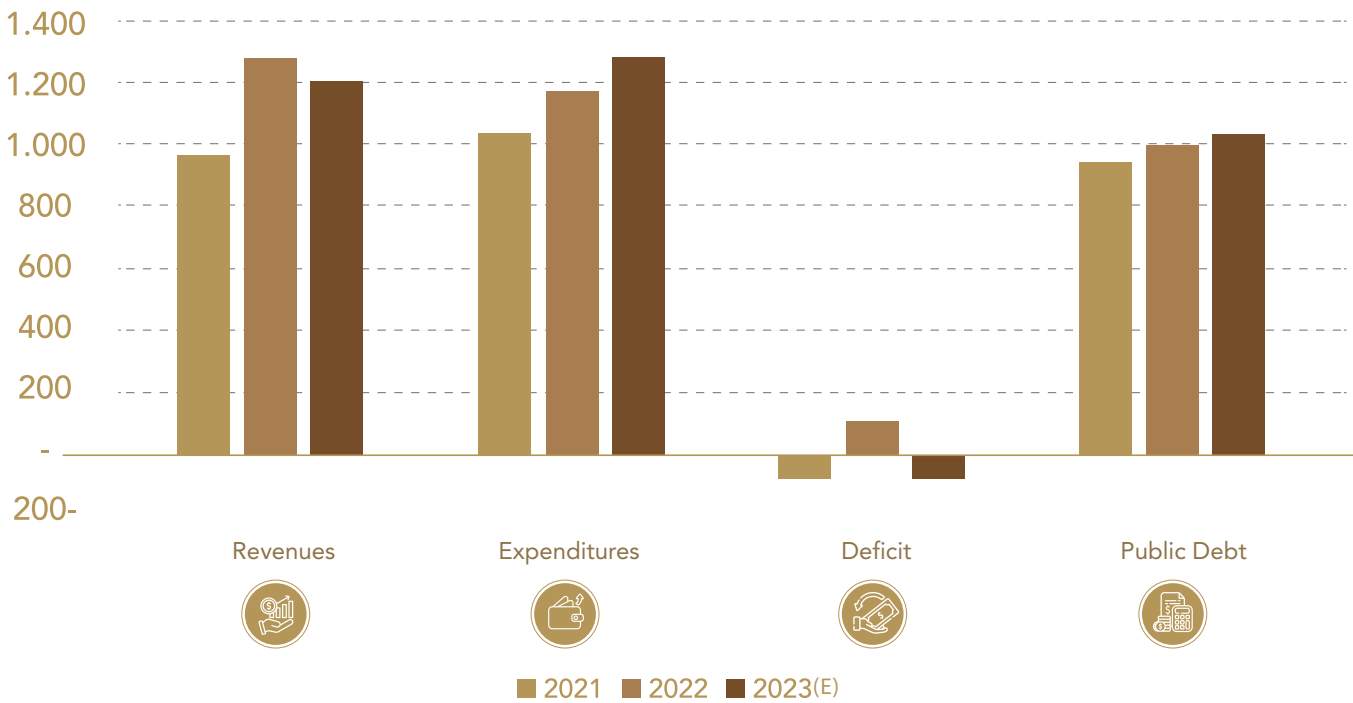
In spite of lower oil prices and higher interest rates, the Saudi non-oil economy performed well last year, with initial estimates pointing to an average growth of 4.7% in non-oil production activities. This performance was achieved in spite of the significant decline of activity in the third quarter. Moreover, the construction of mega projects will be centerstage. However, non-oil activity will be supported by the expansion of the wholesale and retail sector which grew significantly over the past few years.

The fiscal position of the Ministry of Finance is excellent and controllable, and will likely continue through the coming year sustained by higher tax revenues and moderate gains in oil income, supporting total revenues. Forecasts improved significantly due to Saudi Aramco’s commitment to payment of performance related cash distributions totaling around SAR 150 billion.

Data published by the Saudi Ministry of Justice shows a decrease in real estate transactions value in 2023 to around SAR 193.45 billion, or 11% YoY. The number of real estate transactions during the year totaled 172.07 thousand, and the number of real estate property sold was 177.5 thousand. Residential real estate transactions amounted to 58.6% of total transactions, valued at SAR 113.45 billion, followed by commercial property transactions valued at SAR 73.68 billion.



Saudi Budget (SAR billion)



# 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 25/05/2023. 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 (fourth session) extends from 02/06/2023 and lasts for 4 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:

Mr. Ayedh Farhan Alqahtani			Non-Executive Member	Chairman
Membership of Other Boards:				
Sumou Real Estate Company, Chairman.	Adeer Real Estate Company, Chairman.	Sumou Holding Company, Chairman.		
Bisan Commercial & Real Estate Investment Company, Chairman.	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.		
Tahaluf Rouaa Real Estate Company, Vice Chairman (Since 8 Feb. 2023).	Adeer Asar Real Estate Company, Chairman (Since 13 July 2023).	Dhahiat Sumou Real Estate Fund, Board Director.		



Mr. Fahad Sulaiman Alrajhi

Non-Executive Member

Vice Chairman

Membership of Other Boards:

Yanbu Cement Company, Chairman,	Saudi German Company for Non-woven Products (SGN), Chairman.	Al Watania for Industries, Chairman (Until 31 Dec. 2023).
Advanced Flexible Packaging Company, Chairman.	Sahara International Petrochemical Company - Sipchem, Vice Chairman.	Alrajhi Ekhwan Group, Board Director.

Mr. Ibrahim Fahad Alassaf

Executive Member (MD & CEO)

Membership of Other Boards:

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.	"Alkhayalah Elite Residential", Fund Chairman.
"Musharaka Safa", Fund Chairman.	"Ramz Tharwa Real Estate", Fund Chairman.	"AlMajidiyah Office Tower" Real Estate Fund, Chairman.

Mr. Ibrahim Mohammad Al Alshaikh

Non-Executive Member

Membership of Other Boards:

Mawad Drilling Limited Company, Chairman.	Ebreez Arabian Company, Chairman.	Saudi Call Company, Chairman
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Mr. Fahad Mohammad Alamoudi

Non-Executive Member

Membership of Other Boards:

Yaqen Holding Company, Chairman	"Sedrat Albinaa" Real Estate Company, Chairman
Bama Arabian Decorations Company (Previously Bamardouf Decorations) , Chairman	Eastern Region Welfare Organization, Member of General Meeting.

Mr. Khalid Saleh Alakeel

Independent Member

Sumou Real Estate Company, Board Director.	Saudi Equity Fund (By: GIB Capital), Chairman.
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Mr. Mohammad Sulaiman Alharbi

Independent Member

Membership of Other Boards:

Zamil Industrial Investment Company, Board Director.	National Talents Company, Board Director
Arabian Amines Company, Board Director.	National Company for Glass, Board Director.
Guardian Saudi Intr. Company, Chairman.	Guardian Glass Intr. Company, Chairman.
Specialized Medical Services Company, Board Director.	Gas Arabian Services Company, Board Director .

Mr. Ziad Bassam Albassam

Independent Member

Membership of Other Boards:

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.	Health Alliance Medical Company, Board Director (Since Mar. 2023).	Atmar Business Services Company, Board Director (Since Mar. 2023).
Yaseer Medical Services Company, Board Director (Since Mar. 2023).	Medical Care Links Company, Board Director (Since June 2023).	Mathab Rehabilitation Company, Board Director (Since June 2023).
Six Stages IT Company, Board Director (Since June 2023).	Health Society Medical Holding Company, Board Director (Since Feb. 2023).	

Board of Directors Meetings in 2023

Member Name	First Meeting, 21 March 2023	Second Meeting, 18 July 2023	Third Meeting, 4 October 2023	Fourth Meeting, 19 December 2023
Mr. Ayedh Farhan Alqahtani	Yes	Yes	Yes	Yes
Mr. Fahad Sulaiman Alrajhi	Mr. Ayedh Alqahtani Attended on his behalf	Yes	Yes	No
Mr. Ibrahim Fahad Alassaf	Yes	Yes	Yes	Yes
Mr. Ibrahim Mohammad Al Alshaikh	Yes	Yes	Yes	Yes
Mr. Fahad Mohammad Alamoudi	Yes	Yes	Yes	Yes
Mr. Khalid Saleh Alakeel	Yes	Yes	Yes	Yes
Mr. Mohammad Sulaiman Alharbi	Yes	Yes	Yes	Yes
Mr. Ziad Bassam Albassam	Yes	Yes	Yes	Yes



Board Committees and their meetings in 2023

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:

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- 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
- Study the Internal Control System and submit a written report on its opinion and recommendations on it.
- Study the internal audit reports and follow up with the implementation of the corrective measures for the notes contained in them.
- 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.

05 06 07 08

- 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.
- Study the audit plan with the Chartered Accountant and make its notes thereon.
- Study the Chartered Accountant’s notes on the financial statements, and follow up with what has been done in them.
- Study the initial and annual financial statements before submitting them to the Board and give its opinion and recommendation on them.

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- Study the applicable accounting policies, and give its opinion and recommendation to the Board on them.
- Audit the Company’s operational and control systems and procedures.
- 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.
- 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 25/05/2023 for 4 years; and the following are the names and classifications of the Committee Members:

Mr. Khalid Saleh Alakeel

Chairperson

Independent Member

Mr. Mohammed Suleiman Alharbi

Vice-Chairperson

Independent Member

Mr. Ibrahim Mohammed Al Alsheikh

Member

Non-Executive Member

Committee’s Formation:

Member Name	First Meeting on 14 March 2023	Second Meeting on 18 July 2023	Third Meeting on 4 October 2023	Fourth Meeting on 19 December 2023
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:

01

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.

02

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.

03

Audit the Board’s structure and make recommendations on the possible changes.

04

Identify the Board’s weaknesses and strengths and propose to address them in accordance with the Company’s interests.

05

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).

06

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 fourth session. The Nominations and Remunerations Committee consists of three members: a non-executive member, an executive member, and an independent member (from outside of the board of directors); and the following are the names and classifications of the Committee’s members:

Mr. Fahad Mohammad Alamoudi

Chairperson

Non-Executive Member

Mr. Ibrahim Fahad Alassaf

Vice-Chairperson

Executive Member

Mr. Ali Hussein Alshareif

Chairperson

Independent Member  
(from outside of the board of directors)

The Nominations and Remunerations Committee’s Meetings in 2023:

Name	First Meeting on Feb. 2023 14	Second Meeting on 27 April 2023
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:

01

Supervise the implementation of the Board’s decisions and their effectiveness in influencing the Company’s operations.

02

Inform the Board of Directors when it convenes on the decisions taken by the Executive Committee and its justifications.

03

Supervise the annual strategic planning process and assess the performance in achieving the objectives.

04

Supervise the work and recommendations of the standing committees.

05

Take urgent decisions on behalf of the Board when the entire Board is not in session.

06

Work as a senior advisory group for the Executive Management when unforeseen needs or emergencies arise

07

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.

08

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 are the names and classifications of the Committee members (in the board’s third session):

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

In the beginning of the Board’s fourth session on 2 June 2023, the executive committee was reconstituted, consisting of five members: four non-executive members (two of them from outside of the board of directors), and an executive member.

The following are the names and classifications of the Committee members (in the board’s fourth session):

Mr. Ibrahim Mohammad Al Alshaikh	Mr. Ziad Bassam Albassam	Mr. Ibrahim Fahad Alassaf	Mr. Nawaf Fahad Alrajhi
Chairperson	Vice-Chairperson	Member	Member
Non-Executive Member	Non-Executive Member	Executive Member	Non-Executive Member (from outside of the board of directors)

Mr. Abdulrahman Ayedh Alqahtani
Member
Non-Executive Member (from outside of the board of directors)

The Execuitve Committee’s Meetings in 2023 (in the board’s third session):

Name	First Meeting on 22 Jan. 2023	Second Meeting on 2 May 2023
Mr. Ibrahim Mohammad Al Alshaikh	Yes	Yes
Mr. Ayedh Farhan Alqahtani	Yes	Yes
Mr. Ibrahim Fahad Alassaf	Yes	Yes
Mr. Mohammad Sulaiman Alharbi	Yes	Yes



The Executive Committee’s Meetings in 2023 (in the board’s fourth session):

Name	Third Meeting on 29 Aug. 2023	Fourth Meeting on 14 Nov. 2023
Mr. Ibrahim Mohammad Al Alshaikh	Yes	Yes
Mr. Ziad Bassam Albassam	Yes	Yes
Mr. Ibrahim Fahad Alassaf	Yes	Yes
Mr. Nawaf Fahad Alrajhi	Yes	Yes
Mr. Abdulrahman Ayedh Alqahtani	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	9,000	33,000	36,000
Committees Meetings Allowance	4,000	18,000	28,000
Periodical and annual Bonuses	125,000	384,584	347,250
Incentive Plans	-	-	-
Any other in-kind benefits or compensations paid monthly or annually	-	-	-
Total	138,000	435,584	411,250

\* As a Board Directors.

Statement	Five senior executives received the highest remunerations, along with the CEO and CFO, if not included
Salaries & Wages	3,915,300
Allowances	412,754
Periodic & Annual Bonuses	234,133
Incentive Plans	100,000
Commissions	1,257,271
Any other in-kind benefits or compensations paid monthly or annually	150,000
Total	6,069,458

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 2023, which resulted in updating a number of them.

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

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:

### 01 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

### 02 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

## 03 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:

## 01

Individual Risks (e.g. staff failures, human resources risks, incidents to which key staff may be exposed, recruitment practices and space safety, illegal acts).

## 02

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:

- Systems and Information Security Risks
- 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.

### Legal Risks:

The Legal Department plays a pivotal role in ensuring the integrity of the Company's business and products, and protecting its rights and the rights of its clients in the Kingdom and abroad. It also ensures the implementation of best legal practices to mitigate the risks related to legislating new laws by the CMA which could adversely affect business continuity.



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 human (such as: wars), 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.

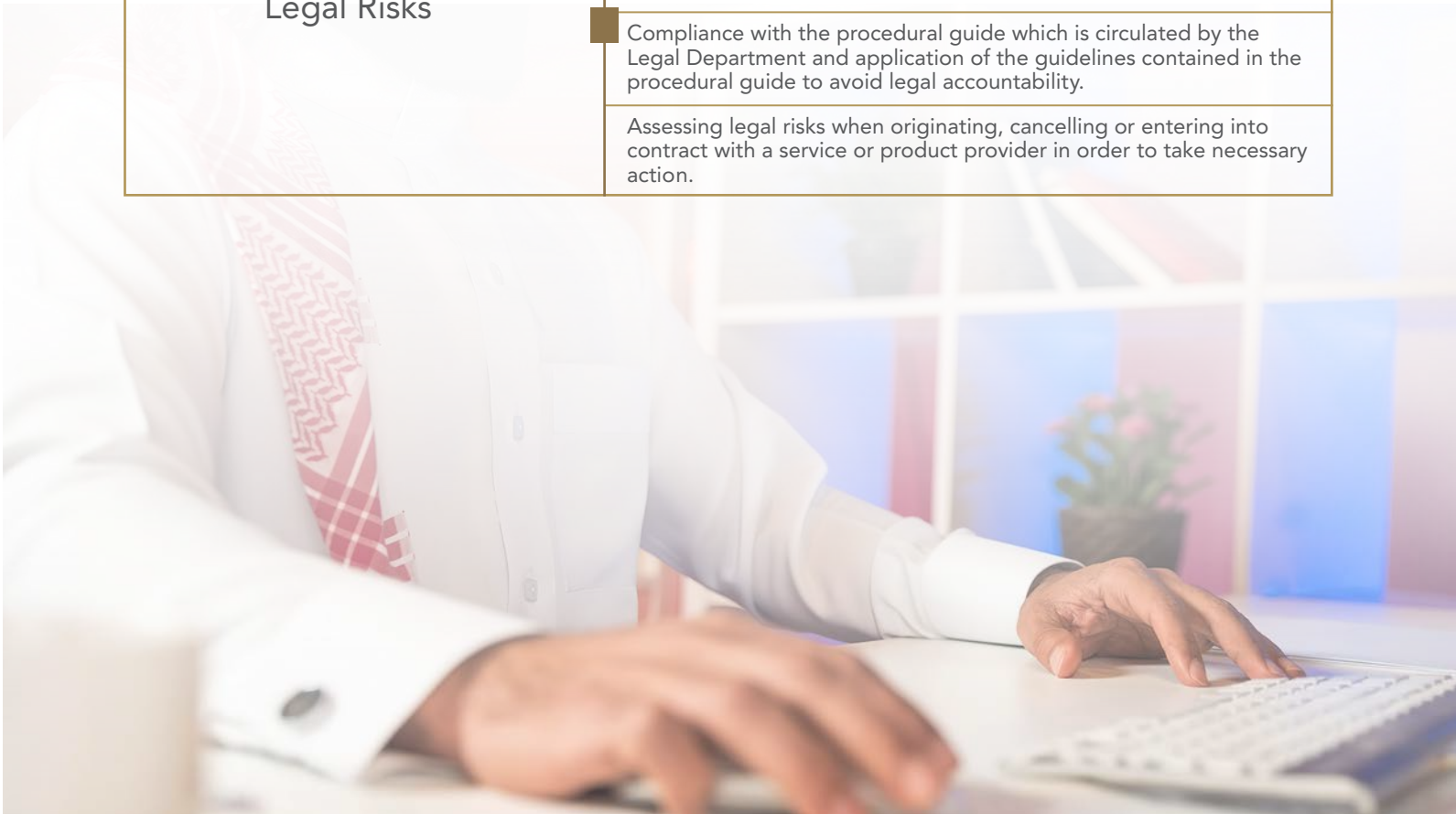
Risk Managements

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).
Liquidity Risks	Conduct a pre-assessment through adequate and appropriate due diligence procedures.
	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.
Credit Risks	Calculate the total external cash flows.
	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.

Credit Risks	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.
	<div><div></div>Review and analyze the legal, regulatory, administrative and technical framework for the Company/targeted investment.</div>
	<div><div></div>Audit and analyze the investment decision-making mechanism and process.</div>
	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.
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.
	<div><div></div>Achieve appropriate separation between the tasks and duties.</div>
	<div><div></div>Indemnity insurance.</div>
	<div><div></div>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).</div>
Strategic Risks	Clearly define the responsibilities and duties for all the positions; in addition to having sufficient staff to perform the work in a satisfactory manner (succession planning policy, job description, and good recruitment procedures).
	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.
	<div><div></div>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.</div>
	<div><div></div>Conduct an annual audit for the Company's business plan and update it in light of the challenges, changes and risks that may arise.</div>
	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.

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.
	<div><div></div>Develop high values for the Company, supported by appropriate performance incentives.</div>
	<div><div></div>Establish and promote a culture of compliance with the internal systems, regulations, and policies.</div>
	<div><div></div>Achieve effective communication with the stakeholders (shareholders, suppliers, and clients).</div>
	Establish, promote, and develop a suitable control environment.
	Presence of an effective policy to deal with the client complaints and suggestions.
Compliance Risks	Analyze the Company's performance and its comparison with its counterparts in the same field, size and nature of business.
	Develop a conformity and compliance program and supervise its implementation.
	<div><div></div>Raise awareness and promote a culture for the importance of compliance and combating money laundering; in addition to the professional practices and good behaviors.</div>
	<div><div></div>Have zero tolerance with the incompliance cases, and take disciplinary actions against the violators.</div>
Legal Risks	<div><div></div>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.</div>
	Compliance with laws and regulations issued by the Capital Market Authority.
	<div><div></div>When communicating with third parties on a legally related matters, the Legal Department shall be consulted to properly review and draft documents, contracts and terminology.</div>
	<div><div></div>Compliance with the procedural guide which is circulated by the Legal Department and application of the guidelines contained in the procedural guide to avoid legal accountability.</div>
	Assessing legal risks when originating, cancelling or entering into contract with a service or product provider in order to take necessary action.





Information Security Risks	Increasing employees' awareness of cybersecurity and in formation 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.
	The availability of more than one internet service providers at the same time. In the event of interruption of the services of one provider, it can be replaced by another.
	Implementing the principle of separation of access authorization and the development of a certain algorithm for all system to ensure that the granted authority is not bypassed.
Natural Disasters and Pandemics Risks	Validating information and documentation provided by job applicants.
	Auditing and monitoring service providers to ensure their compliance with laws and regulations and security procedures.
	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).
	Assessment of risks and their effects on business in the event of business interruption.
	Ensuring the availability of a team capable of implementing the plan as quickly as possible.
	Communicating with all stakeholders and ensuring that they clearly understand their roles.
	Ensuring the availability of disaster recovery plans and auxiliary storage units.

### The Company's Compliance with the Regulations

Musharaka Capital complies with laws, regulations, instructions and directives issued by the Capital Market Authority. In 2023, the Company was cited by the CMA for three violations as follows:

Musharaka REIT's violation of the provisions of Paragraph (a) of Article 25 of the Real Estate Investment Funds Regulations, for failure to comply with the deadline for submission of the quarterly report for the third quarter of 2022.	Al Majediah Residence Alkhobar Fund and Musharaka Safa Fund violation of the provisions of Paragraph (1) of Article 88 of the Investment Funds Regulations for the Fund Manager's advertising and promotion of the funds on social media (Twitter).	Musharaka REIT's violation of the provisions of Paragraph (5) of Article 12 of the Investment Funds Regulations, for the Fund Board's failure to meet with the Compliance Officer at least twice per year in 2022.
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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

There are no interests of the top executives in the company's shares or debt instruments, but as for the board members and their relatives, their interests are represented in their ownership of Musharaka Capital Company shares.

Company’s Loans

Grantor	Financing Type	Financing Date	Entitlement Date	Original Amount	Payments during the Fiscal Year	Remaining Amount
Alinma Investment Company	Margin Lending	14 Dec. 2023	18 Dec. 2024	SAR 3,187,500	SAR 187,500	SAR 3,000,000
Alinma Bank	Long Term Loan	21 Feb. 2023	20 Feb. 2029	SAR 10,774,274	SAR 387,137	SAR 10,387,137
Alinma Bank	Overdraft (rollover)	19 June 2023	14 Dec. 2023	SAR 5,194,646	5,194,646	0,00

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

A number of business agreements or contracts were signed with the Company in which a board member had a (direct or indirect) interest, as follows:

01

A brokerage agreement with Adeer Real Estate Company, whereby Adeer receives brokerage fees in the sum of SAR 600,937.50 for purchase of a land in favor of Alkhayalah Elite Complex Fund, which is managed by Musharaka Capital. Mr. Ayedh Farhan Alqahtani (Chairman of the Board of Musharaka Capital) holds a controlling indirect interest in Adeer Real Estate Company.

02

A brokerage agreement with Adeer Real Estate Company, whereby Adeer receives brokerage fees in the sum of SAR 321,514 for purchase of a land in favor of Almajidiah Residence Alkhobar Fund, which is managed by Musharaka Capital. Mr. Ayedh Farhan Alqahtani (Chairman of the Board of Musharaka Capital) holds a controlling indirect interest in Adeer Real Estate Company.

03

An advisory agreement with Adeer Holding Company related to the provision of structuring services for investment funds, whereby Musharka Capital received SAR 800,000 only. Mr. Ayedh Farhan Alqahtani (Chairman of the Board of Musharaka Capital) holds a controlling indirect interest in Adeer Holding Company.

Transactions or Business between the Company and a Related Party

01

Financial advisory agreement (debt arranging services) between Musharaka Capital (represented by its Investment Banking Department) and Almajidiah Residence Alkhobar Fund (managed by Musharaka Capital), to arrange bank facilities in favor of the Fund.

02

Financial advisory agreement (debt arranging services) between Musharaka Capital (represented by its Investment Banking Department) and Musharaka Safa Fund (managed by Musharaka Capital), to arrange bank facilities in favor of the Fund.

03

Financial advisory agreement (debt arranging services) between Musharaka Capital (represented by its Investment Banking Department) and Alkhayalah Elite Complex Fund (managed by Musharaka Capital), to arrange bank facilities in favor of the Fund.





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
Musharaka Tadawul Company	5,000	%100	Serving Beverages	Riyadh, Kingdom of Saudi Arabia	Kingdom of Saudi Arabia





# Financial Results and Disclosures

## Independent 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 2023, 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 material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, 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 endorsed 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 International Code of Ethics for Professional Accountants (including International Independence Standards) that are endorsed in the Kingdom of Saudi Arabia (“the Code”) that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with requirements of the Code.

### 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 endorsed by SOCPA, the Regulations for Companies, the 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.

### RSM Allied Accountants Professional Services

Mohammed Farhan bin Nader  
License No. 435  
Al-Khobar, Kingdom of Saudi Arabia  
28 March 2023 (corresponding to 18 Ramadan 1445H)

### Statement of profit or loss and other comprehensive income

(Expressed in Saudi Riyals unless otherwise stated)

For the year ended 31 December

	Note	2023	2022
Income			
Revenue from contracts with customers	5	41,307,773	37,142,263
Gain on investments carried at fair value through profit or loss	14	1,501,981	4,534,224
Share of profit of associates and unconsolidated subsidiaries accounted for using equity method	12,13	2,827,855	1,307,419
Other income		79,345	11,472
		45,716,954	42,995,378
Operating expenses			
Brokerage service expenses	6	(1,747,975)	-
Selling and marketing expenses		(459,888)	(231,550)
General and administrative expenses	7	(32,479,167)	(25,469,562)
Finance costs	8	(1,423,466)	(543,045)
		(36,110,496)	(26,244,157)
Profit before zakat		9,606,458	16,751,221
Zakat expense	26	(1,100,000)	(1,250,000)
Profit for the year		8,506,458	15,501,221
Other comprehensive income:			
Items that will not be reclassified to profit or loss in subsequent years:			
Loss on remeasurement of employee benefit obligations	23	(207,673)	(60,472)
Share of other comprehensive loss of associates accounted for using equity method	13	-	-
Other comprehensive loss for the year		(207,673)	(60,472)
Total comprehensive income for the year		8,298,785	15,440,749

## Statement of financial position

(Expressed in Saudi Riyals unless otherwise stated)

As at 31 December

	Note	2023	2022
<b>Assets</b>			
Non-current assets			
Property and equipment	9	3,886,060	3,100,937
Right of-use-asset	10	4,517,347	6,438,788
Intangible assets	11	196,073	369,543
Investment in unconsolidated subsidiaries	12	2,017,671	2,017,671
Investment in associates	13	45,001,033	43,928,549
Total non-current assets		55,618,184	55,855,488
Current assets			
Investments carried at fair value through profit or loss	14	29,538,282	19,663,595
Accounts receivable	15	18,155,793	10,518,165
Prepayments and other receivables	16	9,341,403	1,528,901
Cash and cash equivalents	17	1,591,377	9,942,776
Total current assets		58,626,855	41,653,437
Total assets		114,245,039	97,508,925
<b>Equity and liabilities</b>			
Equity			
Share capital	18	65,000,000	65,000,000
Statutory reserve	19	4,130,180	3,279,534
Retained earnings		19,820,981	12,165,169
Remeasurement reserve for employee benefits obligations	23	256,365	464,038
Total equity		89,207,526	80,908,741
Liabilities			
Non-current liabilities			
Long-term borrowings	21	9,000,000	-
Lease liabilities	22	3,664,432	5,324,370
Employee benefit obligations	23	2,965,577	2,242,741
Total non-current liabilities		15,630,009	7,567,111

Current liabilities			
Short-term borrowings	24	3,000,000	3,000,000
Current portion of long-term borrowings	21	1,338,062	-
Current portion of lease liabilities	22	1,088,184	917,400
Accrued expenses and other liabilities	25	2,649,649	3,786,320
Zakat provision	26	1,331,609	1,329,353
Total current liabilities		9,407,504	9,033,073
Total liabilities		25,037,513	16,600,184
Total equity and liabilities		114,245,039	97,508,925

## STATEMENT OF CHANGES IN EQUITY

(Expressed in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Remeasurement reserve for employee benefit obligations	Total
At 1 January 2022	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 loss for the year	-	-	-	(60,472)	(60,472)
Total comprehensive income (loss) for the year	-	-	15,501,221	(60,472)	15,440,749
Transfer to statutory reserve	-	1,550,122	(1,550,122)	-	-
Dividends (Note 20)	-	-	(11,700,000)	-	(11,700,000)
At 31 December 2022	65,000,000	3,279,534	12,165,169	464,038	80,908,741
Profit for the year	-	-	8,506,458	-	8,506,458
Other comprehensive loss for the year	-	-	-	(207,673)	(207,673)
Total comprehensive income (loss) for the year	-	-	8,506,458	(207,673)	8,298,785
Transfer to statutory reserve	-	850,646	(850,646)	-	-
At 31 December 2023	65,000,000	4,130,180	19,820,981	256,365	89,207,526



## Statement of cash flows

(Expressed in Saudi Riyals unless otherwise stated)

For the year ended 31 December

	Note	2023	2022
Cash flows from operating activities			
Profit before zakat		9,606,458	16,751,221
Adjustments for:			
Depreciation and amortization	9,10,11	3,050,754	2,347,642
Finance cost	8	1,423,466	543,045
Share of results of unconsolidated subsidiaries and associates accounted for using the equity method, net	13	(2,827,855)	(1,307,943)
Gain on investments carried at fair value through profit or loss	14	(470,575)	(438,907)
Employee benefit obligations	23	586,816	468,138
Changes in operating assets and liabilities:-			
(Increase) decrease in accounts receivable		(7,637,628)	89,839
Increase in prepayments and other receivables		(7,812,502)	(43,428)
(Decrease) increase in accrued expenses and other liabilities		(798,609)	(195,644)
Cash (used in) generated from operations		(4,879,675)	20,219,462
Employees benefit obligations paid	23	(71,653)	(77,382)
Finance cost paid		(1,110,779)	(187,415)
Zakat paid	26	(1,097,744)	(921,193)
Net cash (outflow) inflow from operating activities		(7,159,851)	17,027,973
Cash flows from investing activities			
Payments for the purchases of property and equipment	9	(1,683,216)	(2,080,082)
Addition to intangible assets	11	(57,750)	(52,407)
Dividends received from an associate	13	1,755,371	2,789,714
Loan reimbursement from an associate	13	-	775,000
Additions to investments carried at fair value through profit or loss	14	(19,879,216)	(6,301,015)
Proceeds from redemption of investments carried at fair value through profit or loss	14	10,475,104	7,007,473
Net cash (outflow) inflow from investing activities		(9,389,707)	2,138,683

Cash flows from financing activities			
Proceed from Long-term borrowings	21	10,000,000	-
Repayment of lease liabilities	22	(1,801,841)	(2,244,453)
Short-term borrowings	24	-	(786,077)
Dividends paid	20	-	(11,700,000)
Net cash inflow (outflow) from financing activities		8,198,159	(14,730,530)
Net change in cash and cash equivalents		(8,351,399)	4,436,126
Cash and cash equivalents at the beginning of the year		9,942,776	5,506,650
Cash and cash equivalents at the end of the year	17	1,591,377	9,942,776

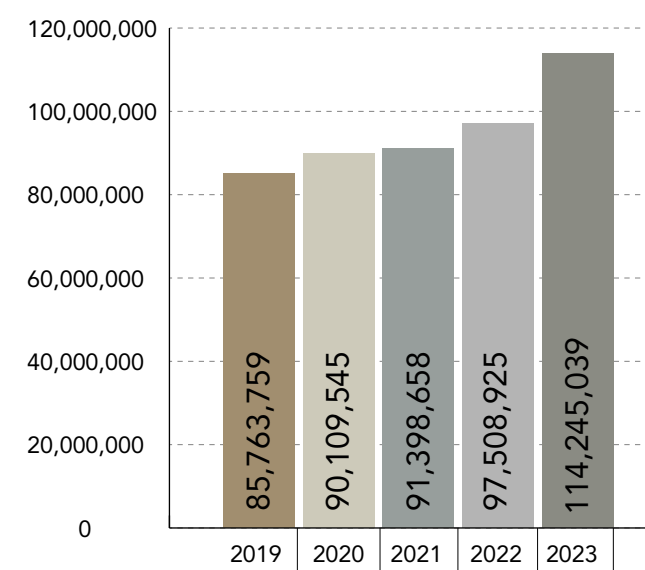
### Clarification of any Material Differences in the Operating Results of the Previous Year:

Musharaka's total operating revenues increased in FY 2023 by 11%, with management fees increasing by 87%, YoY, after excluding the La Perla Fund's performance fees upon termination of the Fund in 2022 (in the amount of SAR 12.9 million) attributed to the Company's launch of several new real estate investment funds resulting in increase management fees and structuring fees. In addition, the Investment Banking Department's revenues increased by 47% as a result of an increase in the number of transactions executed during the year, compared to FY 2022.

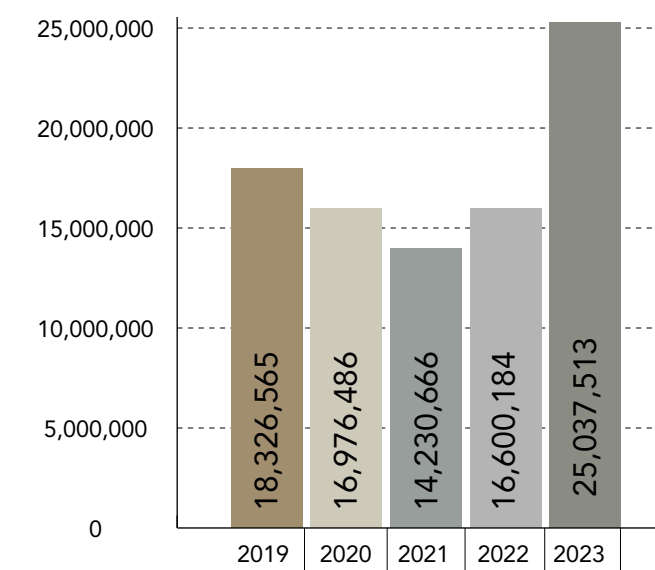
Net income for 2023 decreased by 45%, compared to 2022 due to the delay in the launch of a number of planned investment funds for reasons beyond the Company's control, as well as due to the increased costs of expansion into business sectors (brokerage management and asset management). Moreover, the Company's investment portfolio saw a slight decline in 2023 as a result of revaluation of certain investments.

In addition, the brokerage product was launched in the third quarter of 2023, and is expected to contribute significantly to the Company's revenues over the coming years.

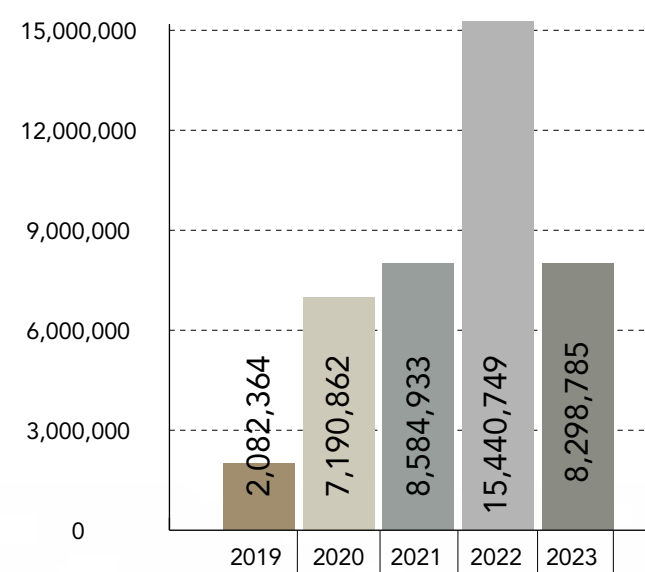
### Comparison of the Company's Assets, Liabilities and Business Results



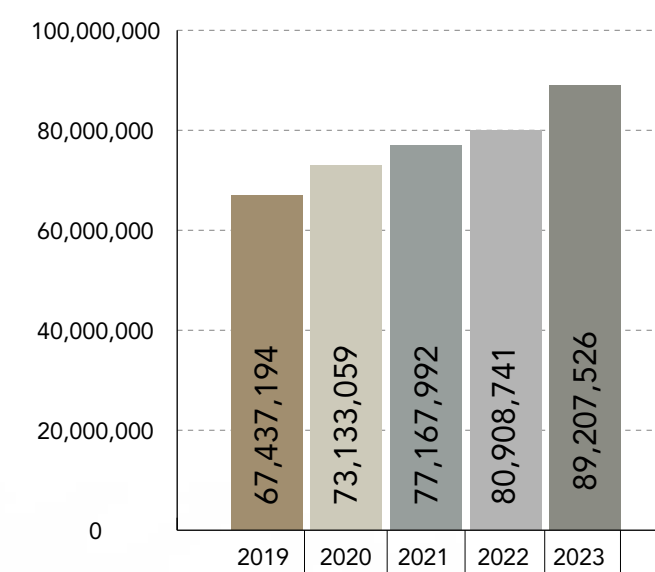
Total assets



Total Liabilities



income/loss of the year



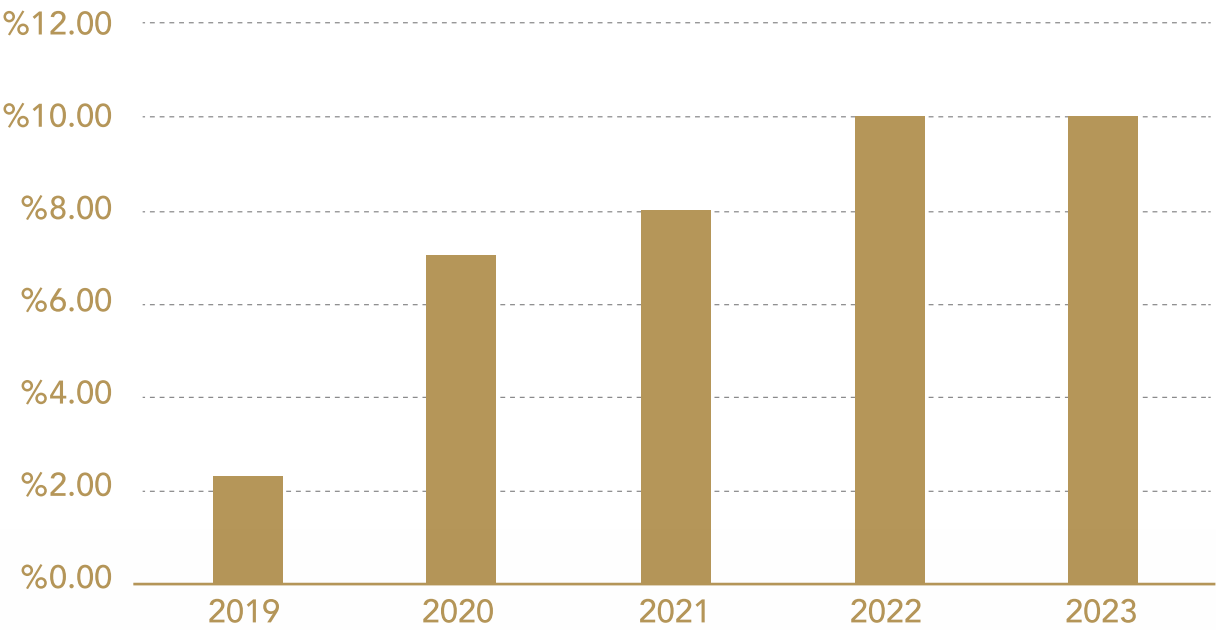
Shareholders Equity



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 2023, at a rate of 10% of the Company's share capital, to be voted on at the next General Assembly Meeting.

Cash DistributiTons to Shareholders Equity in the Previous Years



# Social Responsibility and Events Involving the Company

## Employee Blood Donation Campaign

Musharaka Capital firmly believes in the importance of the role of the private sector in supporting community initiatives, including the importance of blood donation as a noble humane contribution. The Company in collaboration with Eithar Charitable Society and the Blood Bank at King Fahd University Hospital in Alkhobar, organized a blood donation campaign for the Company’s employees, as part of Musharaka Capital’s continued endeavors to support community initiatives.



## Visit by KFUPM Business School Club Students



As part of the Company’s social endeavors, and in coordination with the Dean of Student at King Fahad University for Petroleum and Minerals (KFUPM), a delegation of the members of KFUPM Business School Club visit the Company’s headquarters to be introduced to the Company’s activities and products and learn about career opportunities in the finance and investment sector.



## Sponsorship of the Accredited Training Program “Investing in the Saudi Stock Market”, organized by the Eastern Region Chamber of Commerce



To promote awareness of investment in capital markets, Musharaka Capital sponsored the accredited training program “investing in the Saudi Stock Market”, held by the Eastern Region Chamber of Commerce during the period 24-25 October 2023. The program included introduction to capital markets, the Saudi market and market sectors and investment strategies.

## Seasonal Flu Vaccination Campaign for the Company’s Employees

In coordination with Eastern Region’s Health Affairs, the Company organized a campaign to vaccinate the Company’s employees against the seasonal flu, and promote their awareness of the benefits of vaccination and the importance of the seasonal flu vaccine.

## (One Life, One Liver) Initiative



As part of the efforts of the Ministry of Health in combatting viral liver diseases and in line with the Kingdom’s Vision to eradicate Hepatitis ‘C’ by 2030, Musharaka Capital, in collaboration with the Eastern Health Cluster, hosted a Hepatitis ‘C’ test point of care, under the theme of (One Life, One Liver).

## Participation in the Annual Career Day at KFUPM

Musharaka Capital participated in the 38th Annual Career Day organized by King Fahad University for Petroleum and Mineral (KFUPM) under the patronage of HRH Prince Saud bin Naif bin Abdulaziz, Governor of the Eastern Province. The event was held at KFUPM campus during the period 12-15 June 2023, with the aim of attracting best talent.



## Saudi Tadawul Celebrates Musharaka Capital Market Membership



Saudi Tadawul welcomed the addition of Musharaka Capital as member of the Saudi Capital Market, the largest capital market in the region, in a celebration held on Thursday 15 June 2023 at Saudi Tadawul’s Media Center.



A licensed company from the Capital Market Authority 13169-27  
Phone: +966 800 125 111