

التاريخ: 2022/08/15

السادة بورصة فلسطين المحترمين،

الموضوع: الإفصاح عن القوائم المالية المرحلية الموحدة المختصرة (الغير مدققة) للنصف الأول من العام 2022
لشركة أركان العقارية المساهمة العامة المحدودة ("الشركة")

تحية طيبة وبعد،

بالإشارة إلى الموضوع أعلاه، مرفق إلى حضرتكم الملفات التالية:

1. البيانات المالية المرحلية الموحدة المختصرة لنصف الأول من العام 2022.
2. البيانات المطلوبة في المادة 38 من نظام الإفصاح.
3. الإيضاحات الضرورية.

وتفضلوا بقبول فائق الاحترام والتقدير،،،

محمد البرغوثي

محمد البرغوثي
مدير الإدارة المالية

أركان
ARKAAN
شركة أركان العقارية

نسخة: السادة/ هيئة سوق رأس المال الفلسطينية المحترمين



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شركة أركان العقارية م.ع.م.
Arkaan Real Estate Co. Ltd

شركة أركان العقارية
المساهمة العامة المحدودة

Arkaan Real Estate P.L.C



أركان
ARKAAN

2022/08/15

البيانات المالية المرحلية الموحدة المختصرة
لنصف الأول من العام 2022

Financial Disclosure
H1 2022

Corporate information

Arkaan Real Estate P.L.C (Previously named Asas Al-Ard for Investment and real estate development Co. (ARKAAN) was incorporated in Ramallah, Palestine on 21 February 2022 and registered with the Ministry of National Economy as a private limited shareholding company under registration no. (562764050). On 17 May 2022, the ARKAAN's legal status changed from a private limited shareholding company to a public shareholding limited company under registration no. (562601575). On 22 March 2022, the extraordinary general assembly of Palestinian Telecommunication Company (PALTEL) took the decision to distribute shares for PALTEL shareholders in a newly created entity (Arkaan Real Estate), with the aim of transferring real estate assets and investment portfolio to it. The distribution was on the basis of 1:1, wherein PALTEL shareholder would get one share in ARKAAN for each share in PALTEL.

ARKAAN's issued and paid-in capital comprises U.S. \$ 131,625,000 at par value of U.S. \$ 1 per share. Net assets in an amount of U.S. \$ 414,747,000 were transferred in exchange for a capital contribution, which resulted in an additional paid-in-capital in an amount of U.S. \$ 253,461,000 and non-controlling interests in an amount of U.S. \$ 29,661,000.

ARKAAN's main activities are concentrated in financial investments sector and real estate development and investment sector.

الشركة ونشاطها

تأسست شركة أركان العقارية المساهمة العامة المحدودة (شركة أساس الأرض للاستثمارات والتطوير العقاري سابقاً) (الشركة) في مدينة رام الله، فلسطين بتاريخ 21 شباط 2022، وسجلت لدى وزارة الاقتصاد الوطني كشركة مساهمة خصوصية محدودة. بتاريخ 17 أيار 2022، تم تحويل الصفة القانونية للشركة من مساهمة خصوصية محدودة إلى مساهمة عامة محدودة. بناءً على قرار الهيئة العامة غير العادية لشركة الاتصالات الفلسطينية (بالتل) في اجتماعها الذي عقد بتاريخ 22 آذار 2022، تمت الموافقة على منح مساهمي بالتل أسهماً في شركة جديدة (شركة أركان العقارية) بهدف نقل الأصول العقارية والمحفظة الاستثمارية إليها، وذلك بواقع سهم واحد مقابل كل سهم يملكه المساهم في بالتل.

يبلغ رأس المال المكتتب به والمدفوع للشركة 131,625,000 دولار أمريكي (مئة وواحد وثلاثون مليون وستمائة وخمسة وعشرون ألف دولار أمريكي) بقيمة إسمية مقدارها دولار أمريكي للسهم الواحد. تم تحويل صافي موجودات بقيمة 414,747,000 دولار أمريكي مقابل مساهمة في رأس المال مما نتج عنه قيد رأس مال إضافي بقيمة 253,461,000 دولار أمريكي وحقوق جهات غير مسيطرة بقيمة 29,661,000 دولار أمريكي.

يتركز نشاط الشركة الرئيسي في قطاع الاستثمارات المالية وقطاع التطوير والاستثمار العقاري.

Other Information

بيانات أخرى

Members of the Board of Directors

أولاً: أعضاء مجلس الإدارة

Mr. Ammar Aker
Chairman - The Arab Supply and Trading Co. (ASTRA)

1. السيد عمار العكر
رئيس مجلس الإدارة - الشركة العربية للتموين والتجارة (أسترا)

Mr. Reyad Nazzal
Vice Chairman - Palestine Development and Investment Co. (PADICO)

2. السيد رياض نزال
نائب رئيس مجلس الإدارة - شركة فلسطين للتنمية والاستثمار (باديكو)

Mr. Kamil Sadeddin
Al Maseera International Co.

3. السيد كميل سعد الدين
شركة المسيرة الدولية ش.م.ب.م

Mr. Nimer Abdul Wahed
Palestine Development and Investment Co. (PADICO)

4. السيد نمر عبد الواحد
شركة فلسطين للتنمية والاستثمار (باديكو)

Mr. Abdul Majeed Melhem
Palestine Telecommunications Company P.L.C (PALTEL)

5. السيد عبد المجيد ملحم
شركة الاتصالات الفلسطينية ش.م.ع

Mr. Jamal Barahmeh
Aswaq Portfolio Investments Co. (Palestine Investment Fund)

6. السيد جمال براهمة
شركة أسواق للمحافظ الاستثمارية (صندوق الاستثمار الفلسطيني)

Mr. Ibrahim Al Natour
Independent board member

7. السيد إبراهيم الناطور
عضو مستقل

Executive Management

ثانياً: الإدارة التنفيذية

Mr. Kamal Ratrouf
Acting Chief Executive Officer

1. السيد كمال الرطروط
قائم بأعمال الرئيس التنفيذي

Mr. Mohammad Barghouthi
Director of Finance

2. السيد محمد البرغوثي
مدير الإدارة المالية

Mr. Waleed Ftieha
General Manager / Jericho Gate

3. السيد وليد فتية
مدير عام شركة بوابة أريحا

External Auditor

ثالثاً: مدققي الحسابات

During the first extra-ordinary General Assembly Meeting, which took place on 26/04/2022, Ernst & Young was elected as the external auditor for the year 2022.

تم انتخاب شركة ارنست ويونغ كمدققين خارجيين للعام 2022 وذلك خلال اجتماع الهيئة العامة العادية الأول الذي انعقد بتاريخ 26/04/2022.

Paid up Capital

رابعاً: رأس المال المكتتب

1. Outstanding shares = 131,625,000
2. Par value per share = USD 1.00

1. عدد الأسهم المكتتب بها = 131,625,000
2. القيمة الإسمية للسهم = 1.00 دولار أمريكي

Legal Procedures and Issues

خامساً: الاجراءات القانونية

There are no issues or significant lawsuits held against the Company or held by the Company against others which could affect the Company's operations or the trading price of its stock.

لا يوجد أية قضايا أو اجراءات قانونية جوهريّة على الشركة أو للشركة على الغير والتي من الممكن أن تؤثر على أعمال الشركة أو سعر تداول السهم.

محمد البرغوثي

محمد البرغوثي
Mohammad Barghouthi
مدير الإدارة المالية
Director of Finance

Arkaan Real Estate P.L.C

**Unaudited Interim Condensed Consolidated Financial
Statements**

30 June 2022



**Building a better
working world**

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**Report on review of interim financial information
To the chairman and board of directors of Arkaan Real Estate P.L.C**

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Arkaan Real Estate and its subsidiaries (ARKAAN) as at June 30, 2022, which comprise the interim condensed consolidated statement of financial position as at June 30, 2022 and the related interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the period since inception on February 21, 2022 until June 30, 2022 and explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standards (IAS 34) "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Other matter

These interim condensed consolidated financial statements represent the first reviewed and issued financial statements by an independent auditor, which comprise the interim condensed consolidated statement of financial position as at June 30, 2022 and related interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the period since inception on February 21, 2022 until June 30, 2022. Accordingly, the comparative figures are not presented.

Ernst & Young - Middle East

License # 206/2012

A handwritten signature in blue ink, appearing to read 'Abdelkarim M.'.

The logo for Ernst & Young, featuring a blue chevron pointing upwards and to the right, above the words 'Ernst + Young' in a blue, cursive font.

Abdelkarim Mahmoud

License # 101/2017

August 15, 2022
Ramallah - Palestine

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		30 June 2022
		(Unaudited) (Note 5)
	Notes	U.S. \$ (000's)
Assets		
Non-current assets		
Property, plant and equipment		453
Investment properties		67,724
Properties under development		54,705
Investment in an associate		31,530
Financial assets at fair value through other comprehensive income	4	153,044
Other financial assets		45,247
		<u>352,703</u>
Current assets		
Financial assets at fair value through profit or loss	4	24,587
Accounts receivable		42,709
Other current assets		21,821
Cash and cash equivalent		11,726
		<u>100,843</u>
Total assets		<u><u>453,546</u></u>
Equity and liabilities		
Equity		
Paid-in share capital	1	131,625
Additional paid-in capital	1	253,461
		<u>385,086</u>
Equity attributable to equity holders of the parent		<u>385,086</u>
Non-controlling interests	1	29,661
		<u>414,747</u>
Total equity		<u>414,747</u>
Non-current liabilities		
Deferred tax liability		4,848
Provision for employees' indemnity		196
		<u>5,044</u>
Current liabilities		
Short-term portion of long-term loan		1,068
Accounts payable		5,303
Income tax provision		403
Other current liabilities		26,981
		<u>33,755</u>
Total liabilities		<u>38,799</u>
Total equity and liabilities		<u><u>453,546</u></u>

The attached notes from 1 to 8 are part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period since inception on 21 February 2022 until 30 June 2022

	For the period since inception on 21 February 2022 until 30 June 2022
	(Unaudited)
	U.S. \$ (000's)
Revenues	-
Expenses	-
Results for the period	-
Other comprehensive income items	-
Total comprehensive income for the period	-

The attached notes from 1 to 8 are part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period since inception on 21 February 2022 until 30 June 2022

	Equity attributable to equity holders of the parent				
	Paid-in share capital	Additional paid-in capital	Total	Non-controlling interests	Total equity
	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
Balance as at 21 February 2022	-	-	-	-	-
Paid-in capital (Note 1)	131,625	-	131,625	-	131,625
Additional paid-in capital	-	253,461	253,461	-	253,461
Non-controlling interests	-	-	-	29,661	29,661
Balance as at 30 June 2022 (Unaudited)	131,625	253,461	385,086	29,661	414,747

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period since inception on 21 February 2022 until 30 June 2022

	For the period since inception on 21 February 2022 until 30 June 2022 <u>(Unaudited)</u> <u>U.S. \$ (000's)</u>
<u>Operating Activities</u>	
Results for the period	-
Net cash from operating activities	<u>-</u>
<u>Investing Activities</u>	
Cash inflow from transferring subsidiary's assets	11,726
Net cash from investing activities	<u>11,726</u>
Increase in cash and cash equivalents	11,726
Cash and cash equivalents, beginning of the period	-
Cash and cash equivalents, end of period	<u><u>11,726</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

1. Corporate Information

Arkaan Real Estate P.L.C (Previously named Asas Al-Ard for Investment and real estate development Co. (ARKAAN) was incorporated in Ramallah, Palestine on 21 February 2022, and registered with the Ministry of National Economy as a private limited shareholding company under registration no. (562764050). On 17 May 2022, ARKAAN's legal status changed from a private limited shareholding company to a public limited shareholding company under registration number (562601575). On 22 March 2022, the extra-ordinary general assembly of Palestinian Telecommunication Company (PALTEL) took the decision to distribute shares for PALTEL shareholders in a newly created entity (Arkaan Real Estate), with the aim of transferring real estate assets and investment portfolio to it. The distribution was on the basis of 1:1, wherein PALTEL shareholder would get one share in ARKAAN for each share in PALTEL.

On 10 May 2022, the Palestinian Capital Market Authority has set the date of 28 June 2022 to be the record date of approving the register of eligible shareholders for the shares in ARKAAN. On 3 July 2022, ARKAAN's shares were listed on the Palestine Exchange and trading of its shares began on that date.

The real estate assets and investment portfolio were transferred to ARKAAN on 30 June 2022, based on their book value on that date, pursuant to a decision by PALTEL's Board of Directors on 26 June 2022.

ARKAAN's issued and paid-in capital comprises U.S. \$ 131,625,000 at par value of U.S. \$ 1 per share. Net assets in an amount of U.S. \$ 414,747,000 were transferred in exchange for a capital contribution, which resulted in an additional paid-in-capital in an amount of U.S. \$ 253,461,000 and non-controlling interests in an amount of U.S. \$ 29,661,000.

ARKAAN's main activities are concentrated in financial investments sector and real estate development and investment sector.

The interim condensed consolidated financial statements of ARKAAN for the period since inception until 30 June 2022 were authorized for issuance in accordance with a resolution of the Board of Directors on August 15, 2022.

2. Consolidated Financial Statements

The interim condensed consolidated financial statements comprise the financial statements of Arkaan Real Estate P.L.C and its subsidiaries as at 30 June 2022.

ARKAAN's ownership in its subsidiaries' subscribed capital was as follows:

	Ownership	Capital U.S. \$	
	percentage	2022	
	%	Issued	Paid
Jericho gate for real estate investment	75	49,365,000	49,365,000
Jerusal for real estate investment	100	141,044	141,044
Arcadia W.L.L	100	132,983	132,983

ARKAAN and its subsidiaries operate in the Palestinian National Authority territories, except for Arcadia W.L.L which operates in Bahrain.

The financial periods of the subsidiaries are the same as the financial period of ARKAAN, where necessary, ARKAAN makes adjustments to align the policies of the subsidiaries with the accounting policies of ARKAAN.

3. Basis of preparation and changes in accounting policies

Basis of preparation

The interim condensed consolidated financial statements of ARKAAN for the period since inception until 30 June 2022 have been prepared in accordance with International Accounting Standard (IAS 34) “Interim financial reporting”.

The interim condensed consolidated financial statements have been presented in U.S Dollars, which is the functional currency of ARKAAN, and all values, except when otherwise indicated, are rounded to the nearest thousand (U.S. \$ 000’s).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements. The results for the period since inception until 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2022.

These interim condensed consolidated financial statements represent the first reviewed and issued financial statements by an independent auditor, which comprise the interim condensed consolidated statement of financial position as at 30 June 2022 and related interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the period since inception on 21 February 2022 until 30 June 2022. Accordingly, the comparative figures are not presented.

Changes in accounting policies

ARKAAN has not early adopted any of the below standards, interpretations or amendments that has been issued but not yet effective:

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

These amendments had no impact on the interim condensed consolidated financial statements of ARKAAN.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued amendments on IFRS 16 - Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed consolidated financial statements of ARKAAN.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the interim condensed consolidated financial statements of ARKAAN.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

These amendments had no impact on the interim condensed consolidated financial statements of ARKAAN.

4. Investments in Financial Securities

A) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income represent the following:

	30 June 2022
	U.S. \$ (000's)
Quoted shares in regional financial markets	149,960
Unquoted shares in financial markets	3,084
	<u>153,044</u>

B) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent the following:

	30 June 2022
	U.S. \$ (000's)
Quoted shares in regional financial markets	24,587
	<u>24,587</u>

5. Spin-Off Real Estate assets & Investment portfolio

On 22 March 2022, the extraordinary general assembly of Palestinian Telecommunication Company (PALTEL) took the decision to distribute shares for PALTEL shareholders in a newly created entity (Arkaan Real Estate), with the aim of transferring real estate assets and investment portfolio to it. The distribution was on the basis of 1:1, wherein PALTEL shareholder would get one share in ARKAAN for each share in PALTEL.

The carrying value of the net assets transferred was used through applying the pooling of interest method instead of the acquisition method and the use of fair value. The reason behind is that ARKAAN was considered a subsidiary of PALTEL on the date of the assets transfer decision as well as due to the presence of a common control by major shareholders representing a majority in the Board of Directors resulted from joint arrangements between these shareholders.

On 26 June 2022, the Board of Directors of PALTEL approved the transfer of assets (real estate assets and investment portfolio) to ARKAAN on 30 June 2022, based on their book value on that date, and therefore the statement of financial position represents the carrying amount of the assets and liabilities transferred from PALTEL as of June 30, 2022.

6. Financial Instruments

Fair Value Measurement

ARKAAN uses the following sequence to identify and disclose fair values:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which all inputs, which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Valuation techniques which use inputs that have a significant effect on the recorded fair value and are not based on observable market data.

ARKAAN did not make any transfers between the levels mentioned above during the period.

The following table provides the fair value measurement hierarchy of ARKAAN's assets as at 30 June 2022:

	Fair value measurement using			
	Total	Quoted Prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	U.S. \$000's			
Financial assets measured at fair value				
Financial assets at fair value through other comprehensive income items:				
Quoted	149,960	149,960	-	-
Unquoted	3,084	-	-	3,084
Financial assets at fair value through profit or loss – Quoted	24,587	24,587	-	-

Fair value of Financial Assets and Liabilities

Below is a comparison by class of the carrying amounts and fair values of ARKAAN's financial instruments carried in the interim condensed consolidated financial statements:

	Carrying amount 30 June 2022 U.S. \$ (000's)	Fair value 30 June 2022 U.S. \$ (000's)
Financial assets		
Financial assets at fair value through other comprehensive income	153,044	153,044
Financial assets at fair value through profit or loss	24,587	24,587
Other financial assets	45,247	45,247
Accounts receivable	42,709	42,709
Other current assets	21,821	21,821
Cash and cash equivalent	11,726	11,726
	299,134	299,134
Financial liabilities		
Accounts payable	5,303	5,303
Short-term portion of a long-term loan	1,068	1,068
Other current liabilities	26,981	26,981
	33,352	33,352

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

- The fair values of cash and cash equivalent, accounts receivable and other current assets, accounts payable and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair values of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income that are actively traded in active financial markets were determined by referencing to quoted prices at the date of the interim condensed consolidated financial statements.
- The fair values of unquoted financial assets at fair value through profit or loss and unquoted financial assets at fair value through other comprehensive income were determined using appropriate valuation techniques.

- The fair value of long-term other financial assets was estimated by discounting future cash flows using rates currently available for receivables and credit facilities on similar terms.
- The fair value of the loan was estimated by discounting future cash flows using rates currently available for debt on similar terms.

7. Commitments and Contingent Liabilities

ARKAAN has outstanding contractual commitments resulting from contracts and agreements signed with contractors and consultants as at the date of the interim condensed consolidated financial statements. The contractual commitments represent the difference between the total contract value and the completed amount as at the date of the interim condensed consolidated financial statements. Following is a summary of the outstanding contractual commitments, which are due in the following years:

	<u>30 June 2022</u>
	<u>U.S. \$ (000's)</u>
Unpaid portion of Contractual contracts	6,499
Unpaid portion of Consultation contracts	251
	<u>6,750</u>

8. Concentration of Risk in Geographic Area

ARKAAN is carrying most of its activities in Palestine. The political and economic destabilization in the area increases the risk of carrying out business and could adversely affect performance and the ability to recover its assets through its operations.