

التاريخ: 2023/08/15

السادة بورصة فلسطين المحترمين،

الموضوع: الإفصاح عن القوائم المالية المرحلية الموحدة المختصرة (الغير مدققة) للنصف الأول من العام 2023
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 للنصف الأول من العام 2023.
2. البيانات المطلوبة في المادة 2/38 من نظام الإفصاح.
3. الإيضاحات الضرورية.

وتفضلوا بقبول فائق الاحترام والتقدير،،،

محمد البرغوثي

محمد البرغوثي
مدير الإدارة المالية

شركة أركان العقارية
المساهمة العامة المحدودة

Arkaan Real Estate P.L.C



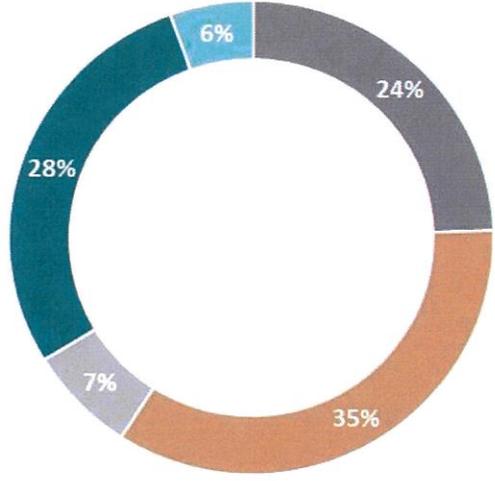
أركان
ARKAAN

2023/08/15

البيانات المالية المرحلية الموحدة المختصرة
للنصف الأول من العام 2023

Financial Disclosure
H1 2023

Corporate information	الشركة ونشاطها
<p>Asas Al-Ard for Investment and real estate development Company 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 company name was changed to Arkaan Real Estate P.L.C (ARKAAN) and the legal status changed from a private limited shareholding company to a public shareholding limited company under registration no. (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.</p>	<p>تأسست شركة أساس الأرض للاستثمارات والتطوير العقاري في مدينة رام الله، فلسطين بتاريخ 21 شباط 2022، وسجلت لدى وزارة الاقتصاد الوطني كشركة مساهمة خصوصية محدودة تحت رقم (562764050). بتاريخ 17 أيار 2022، تم تغيير اسم شركة أساس الأرض للاستثمارات والتطوير العقاري إلى شركة أركان العقارية المساهمة العامة المحدودة (أركان)، وتم تحويل الصفة القانونية للشركة من مساهمة خصوصية محدودة إلى مساهمة عامة محدودة تحت رقم (562601575). 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.</p>
<p>ARKAAN's issued and paid-in capital comprises U.S. \$ 131,625,000 at par value of U.S. \$ 1 per share. Upon establishment of ARKAAN, 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.</p>	<p>يبلغ رأس المال المكتتب به والمدفوع لأركان 131,625,000 دولار أمريكي (مئة وواحد وثلاثون مليون وستمائة وخمسة وعشرون ألف دولار أمريكي) بقيمة إسمية مقدارها دولار أمريكي للسهم الواحد. عند تأسيس أركان، 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.</p>
<p>ARKAAN's main activities are concentrated in financial investments sector and real estate development and investment sector.</p>	<p>يتركز نشاط أركان الرئيسي في قطاع الاستثمارات المالية وقطاع التطوير والاستثمار العقاري.</p>

<p>Consolidated Performance</p> <p>For H1 2023, the consolidated net profit attributable to the shareholders of ARKAAN amounted to U.S. \$ 9.66 million and the earnings per share amounted to U.S. \$ 0.073.</p>	<p>ملخص أداء أركان</p> <p>بلغ صافي أرباح أركان العائد إلى مساهمي الشركة خلال النصف الأول من العام 2023 ما مقداره 9.66 مليون دولار أمريكي وبلغ نصيب السهم من الأرباح 0.073 دولار أمريكي.</p>												
<p>ARKAAN's Assets</p> <p>Total assets as of end of H1 2023 amounted to U.S. \$ 474.6 million and were distributed amongst the following groups as shown in the diagram:</p>  <table border="1"> <thead> <tr> <th>Asset Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Financial investments</td> <td>35%</td> </tr> <tr> <td>Investment properties and properties under development</td> <td>24%</td> </tr> <tr> <td>Receivables and other current assets</td> <td>28%</td> </tr> <tr> <td>Investment in associate</td> <td>7%</td> </tr> <tr> <td>Cash and cash equivalent</td> <td>6%</td> </tr> </tbody> </table>	Asset Category	Percentage	Financial investments	35%	Investment properties and properties under development	24%	Receivables and other current assets	28%	Investment in associate	7%	Cash and cash equivalent	6%	<p>موجودات أركان</p> <p>مع نهاية النصف الأول من العام 2023، بلغ مجموع موجودات أركان ما مقداره 474.6 مليون دولار أمريكي موزعة بحسب البنود الموضحة في الرسم البياني التالي:</p> <ul style="list-style-type: none"> استثمارات مالية Financial investments استثمارات عقارية وممتلكات قيد التطوير Investment properties and properties under development ذمم وأرصدة مدينة Receivables and other current assets استثمار في شركة حليفة Investment in associate النقد والنقد المعادل Cash and cash equivalent
Asset Category	Percentage												
Financial investments	35%												
Investment properties and properties under development	24%												
Receivables and other current assets	28%												
Investment in associate	7%												
Cash and cash equivalent	6%												
<p>Investments</p> <p><u>Financial Investments:</u> ARKAAN holds an investment portfolio in the shares of local and regional companies. Part of those investments were classified through profit or loss and the majority were classified through other comprehensive income. As of end of H1 2023, the fair value for those investments amounted to U.S. \$ 164 million.</p>	<p>الاستثمارات</p> <p><u>الاستثمارات المالية:</u> تحتفظ أركان بمحفظة استثمارية مالية في أسهم شركات محلية وإقليمية والتي تم تصنيف جزء منها من خلال قائمة الدخل والجزء الآخر من خلال قائمة الدخل الشامل. بلغت قيمة هذه الاستثمارات ما مقداره 164 مليون دولار أمريكي كما في نهاية النصف الأول من العام 2023.</p>												
<p>Furthermore, ARKAAN holds a significant ownership in the shares of The National Bank (TNB) which are classified as investment in associate in the statement of financial position. ARKAAN's ownership percentage in TNB was around 19.22% as of the end of H1 2023.</p>	<p>تمتلك أركان حصة جوهريّة في أسهم شركة البنك الوطني والتي تظهر في قائمة المركز المالي كاستثمار في شركة حليفة. بلغت حصة أركان في أسهم البنك الوطني ما نسبته 19.22% كما في نهاية النصف الأول من العام 2023.</p>												

<p><u>Investments properties and properties under development:</u> ARKAAN holds land portfolio in prime locations across the West Bank and Gaza. As of end of H1 2023, the book value for this portfolio amounted to U.S. \$ 70.1 million whereas the fair value for the same amounted to more than U.S. \$ 125 million based on the latest appraisals made by authorized appraisers.</p>	<p><u>الاستثمارات العقارية والممتلكات قيد التطوير:</u> تمتلك أركان قطع أراضي في مناطق عدة في الضفة الغربية وقطاع غزة. بلغت القيمة الدفترية للمحفظة العقارية كما في نهاية النصف الأول من العام 2023 ما مقداره 70.1 مليون دولار أمريكي في حين تجاوزت القيمة العادلة للاستثمارات العقارية وفقاً لآخر التقارير المستلمة من مخمنين معتمدين ما يزيد عن 125 مليون دولار أمريكي.</p>
<p>Properties under development primarily represent the cost of land which is currently under development by Jericho Gate (a subsidiary of ARKAAN). As of end of H1 2023, the book value for properties under development amounted to U.S. \$ 45.1 million.</p>	<p>يمثل غالبية بند الممتلكات قيد التطوير قيمة الأراضي التي يتم تطويرها ومن ثم بيعها ضمن مشروع بوابة أريحا. كما في نهاية النصف الأول للعام 2023، بلغت القيمة الدفترية لهذه الأراضي ما مقداره 45.1 مليون دولار أمريكي.</p>

Other Information

بيانات أخرى

Members of the Board of Directors

أولاً: أعضاء مجلس الإدارة

- Mr. Samir Hulileh**
Chairman - Palestine Development and Investment Co.Ltd (PADICO)
- Mr. Reyad Nazzal**
Vice Chairman - GMS Ventures and Investments Holdings
- Mr. Abdul Majeed Melhem**
Siraj Fund Management Company
- Mr. Salah Hidmi**
Palestine Development and Investment Co.Ltd (PADICO)
- Mr. Seif Al Deen Sadeddin**
Al Maseera International Co.
- Mr. Jamal Barahmeh**
Aswaq Portfolio Investments Co. (Palestine Investment Fund)
- Mrs. Reem Alsheikh**
Massar International
- Mrs. Amal Moughrabi**
Palestine Development and Investment Co.Ltd (PADICO)
- Mr. Ibrahim Al Natour**
Independent board member

1. السيد سمير حليله
رئيس مجلس الإدارة - شركة فلسطين للتنمية والاستثمار المحدودة (باديكو)
2. السيد رياض نزال
نائب رئيس مجلس الإدارة - شركة جي ام اس فينشرز اند انفستمنس القابضة
3. السيد عبد المجيد ملحم
شركة سراج لإدارة صناديق الاستثمار
4. السيد صلاح هدي
شركة فلسطين للتنمية والاستثمار المحدودة (باديكو)
5. السيد سيف الدين سعد الدين
شركة المسيرة الدولية ش.م.ب.م
6. السيد جمال براهمه
شركة أسواق للمحافظ الاستثمارية (صندوق الاستثمار الفلسطيني)
7. السيدة ريم الشيخ
شركة مسار العالمية للاستثمار م.خ
8. السيدة أمل مغربي
شركة فلسطين للتنمية والاستثمار المحدودة (باديكو)
9. السيد إبراهيم الناطور
عضو مستقل

Executive Management

Mr. Kamal Ratrout
Acting Chief Executive Officer
Mr. Mohammad Barghouthi
Director of Finance
Mr. Waleed Ftieha
General Manager / Jericho Gate

ثانياً: الإدارة التنفيذية

1. السيد كمال الرطروط
قائم بأعمال الرئيس التنفيذي
2. السيد محمد البرغوثي
مدير الإدارة المالية
3. السيد وليد فتية
مدير عام شركة بوابة أريحا

External Auditor

Ernst & Young.

ثالثاً: مدققي الحسابات

شركة ارنست ويونغ.

Paid up Capital

1. Outstanding shares = 131,625,000
2. Par value per share = U.S. \$ 1.00

رابعاً: رأس المال المكتتب

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

Legal Procedures and Issues

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

خامساً: الاجراءات القانونية

لا يوجد أية قضايا أو اجراءات قانونية جوهريّة على أركان أو لأركان على الغير والتي من الممكن أن تؤثر على أعمال أركان 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 2023

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 30 June 2023, which comprise the interim condensed consolidated statement of financial position as at 30 June 2023 and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income for the three-month and six-month period then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended 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

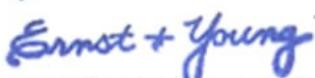
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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).

Ernst & Young - Middle East

License # 206/2012

Abdelkarim Mahmoud

License # 101/2017

August 15, 2023
Ramallah - Palestine

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

		30 June 2023	31 December 2022
		Unaudited	Audited
	Notes	U.S. \$ (000's)	U.S. \$ (000's)
<u>Assets</u>			
Non-current assets			
Property, plant, and equipment		654	728
Investment properties	4	70,108	69,388
Properties under development	5	45,073	43,638
Investment in an associate	6	34,746	33,753
Financial assets at fair value through other comprehensive income	7	141,947	153,265
Long-term receivables	8	61,425	64,910
		<u>353,953</u>	<u>365,682</u>
Current assets			
Accounts receivable	8	47,120	39,233
Other current assets	9	24,989	21,626
Financial assets at fair value through profit or loss	7	22,099	24,838
Cash and deposits at banks		26,437	26,632
		<u>120,645</u>	<u>112,329</u>
Total assets		<u>474,598</u>	<u>478,011</u>
<u>Equity and liabilities</u>			
Equity			
Paid-in share capital	1	131,625	131,625
Additional paid-in capital	1	253,461	253,461
Statutory reserve	10	726	726
Fair value reserve	7	(11,290)	(14)
Retained earnings		16,189	6,531
Equity attributable to equity holders of the parent		<u>390,711</u>	<u>392,329</u>
Non-controlling interests		26,171	28,890
Total equity		<u>416,882</u>	<u>421,219</u>
Non-current liabilities			
Long-term unearned revenues		15,175	17,651
Deferred tax liability		3,809	3,996
Other non-current liabilities		1,498	1,467
		<u>20,482</u>	<u>23,114</u>
Current liabilities			
Accounts payable		3,792	1,922
Short-term unearned revenues		26,437	21,458
Provision for income tax	12	-	1,779
Other current liabilities		7,005	8,519
		<u>37,234</u>	<u>33,678</u>
Total liabilities		<u>57,716</u>	<u>56,792</u>
Total equity and liabilities		<u>474,598</u>	<u>478,011</u>

The attached notes from 1 to 18 are part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six-month period ended 30 June 2023

	Notes	For three months period ended 30 June		For six months period ended 30 June	
		2023	2022	2023	2022
		Unaudited	Unaudited	Unaudited	Unaudited
		U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
Revenues from sale of land and development rights	13	5,692	-	6,978	-
Cost of land and development rights	13	(3,284)	-	(4,442)	-
Gain from sale of investments proprieties	4	18	-	18	-
Profit from real estate activities		2,426	-	2,554	-
ARKAAN's share of associate's results	6	729	-	1,461	-
Losses from valuation of financial assets at fair value through profit or loss		(2,789)	-	(2,739)	-
Dividends income from financial investments		2,076	-	9,128	-
Profit from investment activities		16	-	7,850	-
Interest revenues		963	-	2,302	-
Operating and administrative expenses		(758)	-	(1,416)	-
Operating profit		2,647	-	11,290	-
Other expenses, net		(30)	-	(113)	-
Profit for the period before income tax		2,617	-	11,177	-
Income tax expense	12	(542)	-	(712)	-
Profit for the period		2,075	-	10,465	-
Attributable to:					
Shareholders of the parent		1,478	-	9,658	-
Non-controlling interest		597	-	807	-
		2,075	-	10,465	-
Basic and diluted earnings per share for the period		0.011	-	0.073	-

The attached notes from 1 to 18 are part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six-month period ended 30 June 2023

	Notes	For three months period ended 30 June		For six months period ended 30 June	
		2023	2022	2023	2022
		Unaudited	Unaudited	Unaudited	Unaudited
		U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
Profit for the period		2,075	-	10,465	-
Other Comprehensive Income items:					
Items that will not be reclassified to the consolidated income statement in subsequent periods:					
Losses from valuation of financial assets at fair value through other comprehensive income	7	(13,626)	-	(11,318)	-
ARKAAN's share of associate's other comprehensive income	6	(41)	-	42	-
Total other comprehensive income for the period		(13,667)	-	(11,276)	-
Net comprehensive income for the period		(11,592)	-	(811)	-
Attributable to:					
Shareholders of the parent		(12,189)	-	(1,618)	-
Non-controlling interest		597	-	807	-
		(11,592)	-	(811)	-

The attached notes from 1 to 18 are part of these interim condensed consolidated financial statements

Arkkan Real Estate P.L.C

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six-month period ended 30 June 2023

	<u>Equity attributable to equity holders of the parent</u>							
	Paid-in share capital U.S. \$ (000's)	Additional paid-in capital U.S. \$ (000's)	Statutory Reserve U.S. \$ (000's)	Fair Value Reserve U.S. \$ (000's)	Retained earnings U.S. \$ (000's)	Total U.S. \$ (000's)	Non-controlling interests U.S. \$ (000's)	Total equity U.S. \$ (000's)
Balance as at 1 January 2023	131,625	253,461	726	(14)	6,531	392,329	28,890	421,219
Profit for the period	-	-	-	-	9,658	9,658	807	10,465
Other comprehensive income items	-	-	-	(11,276)	-	(11,276)	-	(11,276)
Net comprehensive income for the period	-	-	-	(11,276)	9,658	(1,618)	807	(811)
Distributed cash dividends from a subsidiary (Note 11)	-	-	-	-	-	-	(3,526)	(3,526)
Balance as at 30 June 2023 (Unaudited)	131,625	253,461	726	(11,290)	16,189	390,711	26,171	416,882

Equity attributable to equity holders

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

The attached notes from 1 to 18 are part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2023

	For six months period ended 30 June	
	2023	2022
	Unaudited	Unaudited
	U.S. \$ (000's)	U.S. \$ (000's)
<u>Operating Activities</u>		
Profit for the period before income tax	11,177	-
Adjustments:		
Depreciation and amortization	76	-
Gains from valuation and sale of investments	(18)	-
Dividends income	(9,128)	-
ARKAAN's share of associate's results	(1,461)	-
Losses from valuation of financial assets at fair value through profit or loss	2,739	-
Interest revenues	(2,302)	-
Provision for expected credit losses	220	-
Provision for employees' indemnity	49	-
Land settlement provision	169	-
Finance cost	13	-
Other non-cash items	1,193	-
	<u>2,727</u>	<u>-</u>
Working capital adjustments:		
Accounts receivable	(4,622)	-
Other current assets	599	-
Accounts payable	107	-
Properties under development	2,327	-
Unearned revenues	2,503	-
Other current liabilities	(1,739)	-
Other non-current liabilities	(27)	-
Income tax paid	(4,605)	-
Net cash flows used in operating activities	<u>(2,730)</u>	<u>-</u>
<u>Investing Activities</u>		
Cash inflow from transferring subsidiary's assets	-	11,726
Investment in an associate	(577)	-
Purchase of investment properties	(969)	-
Sale of investment properties	98	-
Properties under development	(4,775)	-
Change in deposits in banks maturing after 3 months	8,100	-
Purchase of property, plant, and equipment	(2)	-
Dividends revenues received	8,260	-
Interest revenues received	2,276	-
Net cash flows from investing activities	<u>12,411</u>	<u>11,726</u>
<u>Financing activities</u>		
Dividends paid to non-controlling interests	(1,763)	-
Finance costs paid	(13)	-
Net cash flows used in financing activities	<u>(1,776)</u>	<u>-</u>
Increase in cash and cash equivalents	7,905	11,726
Cash and cash equivalents, beginning of the period	13,027	-
Cash and cash equivalents, end of the period	<u>20,932</u>	<u>11,726</u>

The attached notes from 1 to 18 are part of these interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at 30 June 2023

1. Corporate and its Activities

Asas Al-Ard for Investment and real estate development Co. 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 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 17 May 2022, Asas Al-Ard for Investment and real estate development Co. name was changed to "Arkaan Real Estate Public Limited Company" (ARKAAN). And ARKAAN's legal status changed from a private limited shareholding company to a public limited shareholding company under registration number (562601575). Later, on 3 July 2022, ARKAAN's shares were listed on the Palestine Exchange.

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. \$ 385,086,000 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.

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 as of 30 June 2023, were authorized for issuance in accordance with a resolution of the Board of Directors on August 14, 2023.

2. Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements comprise the financial statements of ARKAAN Real Estate P.L.C and its subsidiaries (ARKAAN) as at 30 June 2023.

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

	Nature of business	Ownership Percentage		Capital (U.S. \$)	
		%		2023	
		2023	2022	Issued	Paid
Jericho gate for real estate investment	Real estate investment	75	75	49,365,000	49,365,000
Jerusal for real estate investment	Real estate investment	100	100	141,044	141,044
Arcadia W.L.L	Financial investment	100	100	132,983	132,983

ARKAAN's 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 of interim condensed consolidated financial statements and accounting policies

Basis of preparation

The interim condensed consolidated financial statements of ARKAAN for the six-month period ended 30 June 2023 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 consolidated financial statements have been prepared under the historical cost basis, except for financial assets at fair value through profit or loss and other comprehensive income that are measured at fair value as at the interim condensed consolidated financial statements date.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements. It should be reviewed with ARKAAN's consolidated financial statements as of 31 December 2022. The results for the six-month period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

Accounting policies

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of ARKAAN's consolidated financial statements for the year ended December 31, 2022, except that ARKAAN has adopted the following amendments effective starting January 1, 2023.

Definition of Accounting Estimates - Amendments to IAS (8)

In February 2021, the IASB issued amendments to IAS (8), in which it introduces a definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

These amendments had no material impact on ARKAAN's interim condensed consolidated financial statements.

Disclosure of Accounting Policies- Amendments to IAS (1) and IFRS Practice Statement (2)

In February 2021, the IASB issued amendments to IAS (1) and IFRS Practice Statement (2) Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

These amendments had no material impact on ARKAAN's interim condensed consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS (12)

In May 2021, the Board issued amendments to IAS (12), which narrow the scope of the initial recognition exception under IAS (12), so that it no longer applies on the transactions which lead to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit

is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

These amendments had no material impact on ARKAAN's interim condensed consolidated financial statements.

Significant accounting judgments, estimates and assumptions

The preparation of ARKAAN's interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and the accompanying disclosures and the disclosure of contingent liabilities, at the reporting date for the interim condensed consolidated financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

ARKAAN's management believes that estimates used in the preparation of the interim condensed consolidated financial statements are reasonable and are as follows:

- Management reviews the useful lives of tangible and intangible assets on regular basis in order to assess the depreciation and amortizations for the year based on the assets' condition, useful lives and future economic benefits. Impairment, if any, is recognized in the interim condensed consolidated income statement.
- Management reviews, on a regular basis, the financial assets at amortized cost (Provision of expected credit losses) to estimate impairments, if any. Impairment losses are reflected in the interim condensed consolidated income statement. ARKAAN's management make judgments and assumptions to estimate the amounts and timing of future cash flows, as well as to estimate any significant increase in the credit risk of financial assets after initial recognition, taking into consideration future measurement information for ECL.
- ARKAAN's management believes in its ability to exercise significant influence over its investment in The National Bank (TNB) (an associate), despite the resignation of the board members who represent ARKAAN's interests in TNB's Board of Directors, ARKAAN directly holds the highest percentage of voting power in TNB. Furthermore, the current Board of Directors was unable to hold any meetings or take any decisions during the period. ARKAAN's management believes that the issue of TNB's board composition and representation of ARKAAN on the Board of Directors of TNB is an exceptional and temporary situation, and currently there is a process of reforming the Board of Directors of TNB to include fair representation of ARKAAN's contribution.
- Management reviews the impairment of non-financial assets which exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.
- Tax expense is calculated and provisioned based on prevailing tax laws in the territories in which the ARKAAN operates and the accounting standards.
- End of service indemnity expense is calculated and provisioned based on prevailing Palestinian labor law and in agreement with the International Accounting Standards.
- The signed contracts with the developers include sale lands and its infrastructure services, ARKAAN have two separate liabilities, that when they sale lands to the developer, in addition to providing them with this lands infrastructure services, so the received amount will distributed between the land and its infrastructure services.
- ARKAAN determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised

- Specific estimates and assumptions are used to determine and to discount the expected cash flows in settlement of long-term receivables.
- ARKAAN's management provides, based on its legal consultants' opinions, provisions against any litigations.

4. Investment Properties

This item represents investments in lands, movement on the account was as follows:

	30 June 2023	31 December 2022
	<u>U.S. \$ (000's)</u>	<u>U.S. \$ (000's)</u>
Balance, beginning of the period/ year	69,529	-
Investment properties transferred from PALTEL*	-	67,723
Additions	969	2,168
Impairment losses of investments	-	(362)
Investments properties sold**	<u>(80)</u>	<u>-</u>
Balance, end of the period	70,418	69,529
Provision for land settlement	<u>(310)</u>	<u>(141)</u>
Investment properties as at the end of the period/ year	<u><u>70,108</u></u>	<u><u>69,388</u></u>

* Under the separation agreement signed between PALTEL and ARKAAN, these investments were transferred to ARKAAN's records. ARKAAN's management is currently finalizing legal requirements to transfer the title of some of these investments which represent lands.

** During the period, ARKAAN sold a part of its investments properties, which resulted in a gain of U.S. \$18,000, which was recorded in the interim condensed consolidated income statement.

5. Properties under development.

The movement on properties under development was as follows:

	30 June 2023	31 December 2022
	<u>U.S. \$ (000's)</u>	<u>U.S. \$ (000's)</u>
Balance, beginning of the period	43,638	-
Additions	4,784	3,842
Properties under development transferred from PALTEL	-	54,437
Transferred to property, plant and equipment	-	(122)
Cost of sold properties under development	<u>(3,349)</u>	<u>(14,519)</u>
Balance, end of the period	<u><u>45,073</u></u>	<u><u>43,638</u></u>

Properties under development includes the following as at 30 June 2023:

	30 June 2023	31 December 2022
	<u>U.S. \$ (000's)</u>	<u>U.S. \$ (000's)</u>
Lands	74,011	74,011
Land processing costs, road network and infrastructure work	27,917	23,319
Studies and consultants	4,725	4,540
Finance costs	747	746
Others	<u>398</u>	<u>398</u>
	107,798	103,014
Sold properties under development	<u>(62,725)</u>	<u>(59,376)</u>
	<u><u>45,073</u></u>	<u><u>43,638</u></u>

6. Investment in an associate

According to the agreement signed with PALTEL for the transfer of real estate assets and the investment portfolio, ARKAAN has obtained an investment in the shares of The National Bank (TNB) (Associate), with an ownership percentage of 19.22%.

The market value of ARKAAN's investment in an associate (listed in Palestine exchange market) as at 30 June 2023 amounted to U.S. \$ 39,561,000.

The following is the movement on investment in an associate:

	30 June 2023	31 December 2022
	U.S. \$ (000's)	U.S. \$ (000's)
Balance, beginning of the period/ year	33,753	-
Investment in an associate transferred from PALTEL	-	31,530
Net purchase / sale of shares in an associate	577	188
ARKAAN's share of associate's results of operation	1,461	1,971
ARKAAN's share of associate's other comprehensive income item	42	64
Dividends from associate	(1,087)	-
Balance, end of the period/ year	<u>34,746</u>	<u>33,753</u>

On 09 April 2023, the members of the Board of Directors representing ARKAAN's interests submitted their resignation from the Board of Directors of TNB, and currently there is a process of reforming the Board of Directors. ARKAAN's management believes that it exercises significant influence over TNB, and that the current situation is an exceptional and temporary matter.

7. Investments in Financial Securities

A) Financial assets at fair value through other comprehensive income

ARKAAN perceives these investments as strategic investments, accordingly, these investments were classified as financial assets at fair value through other comprehensive income items. Financial assets at fair value through other comprehensive income includes the following:

	30 June 2023	31 December 2022
	U.S. \$ (000's)	U.S. \$ (000's)
Quoted shares in regional financial markets	138,867	150,185
Un-Quoted shares in financial markets	3,080	3,080
	<u>141,947</u>	<u>153,265</u>

Movement on the fair value reserve was as follows:

	30 June 2023	31 December 2022
	U.S. \$ (000's)	U.S. \$ (000's)
Balance, beginning of the period/ year	(14)	-
Losses from valuation of financial assets at fair value through other comprehensive income	(11,318)	(78)
ARKAAN's share of associate's other comprehensive income	42	64
Balance, end of the period/ year	<u>(11,290)</u>	<u>(14)</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 2023	31 December 2022
	U.S. \$ (000's)	U.S. \$ (000's)
Quoted shares in regional financial markets	22,099	24,838

8. Accounts receivable

	30 June 2023	31 December 2022
	U.S. \$ (000's)	U.S. \$ (000's)
Trade receivables	716	801
Checks under collection	109,273	104,566
	109,989	105,367
Allowance for expected credit losses*	(1,444)	(1,224)
	108,545	104,143
Short-term accounts receivable	47,120	39,233
Long-term accounts receivable	61,425	64,910

*The movement on the allowance for expected credit losses was as follows:

	30 June 2023	31 December 2022
	U.S. \$ (000's)	U.S. \$ (000's)
Balance, beginning of the period/ year	1,224	-
Transferred from PALTEL	-	380
Additions during the period/ year	220	844
Balance, end of the period/ year	1,444	1,224

9. Other Current Assets

	30 June 2023	31 December 2022
	U.S. \$ (000's)	U.S. \$ (000's)
Due from PALTEL	19,436	20,018
Income tax advances (Note 12)	1,981	-
Dividends receivable	1,955	-
Advances to suppliers	955	583
Due from Value Added Tax department	465	795
Accrued interest revenues	103	77
Due from related parties	36	64
Others	58	89
	24,989	21,626

10. Statutory Reserve

Statutory reserve represents accumulation of profits transferred at 10% of annual net profit in accordance with the Companies' Law. ARKAAN cannot cease to transfer profits to the reserve until the statutory reserve's balance reaches 25% of share capital. This reserve is not available for distribution to the shareholders. ARKAAN did not appropriate any amounts to the statutory reserve, as these are interim condensed consolidated financial statements.

11. Distributed Cash Dividends from a subsidiary

The extraordinary General Assembly of Jericho Gate for Real Estate Investment Company (a subsidiary), held on 6 March 2023, approved the distribution of cash dividends to shareholders with a total amount of JD 10 million (equivalent to U.S. \$ 14,104,000) distributed to each shareholder according to the percentage of their contribution in Jericho Gate for Real Estate Investment Company. According to the basis of preparation of interim condensed consolidated financial statements, dividends income from subsidiaries is eliminated in full and the portion distributed to non-controlling interests appears in the equity with a total amount of U.S. \$ 3,526,000.

12. Provision for income tax

The following is a summary of the movement on the provision for income tax (Income tax advances):

	30 June 2023	31 December 2022
	U.S. \$ (000's)	U.S. \$ (000's)
Balance, beginning of the period/ year	1,779	-
Transferred from PALTEL	-	403
Additions	899	2,030
Payments of income tax	(4,605)	(669)
Currency difference	(54)	15
Net advances recorded in other current assets (Note 9)	<u>(1,981)</u>	<u>1,779</u>

During 2022, Jericho Gate for Real Estate Investment Company (a subsidiary) had reached a final settlement with the Income Tax Department for the results of its operations for the year 2021, it did not result in recording any additional tax provision. In addition, Jerusal (a subsidiary) has not reached a final settlement with the Income Tax Department for the results of its operations for the year 2021 and 2022, also ARKAAN has not reached a final settlement with the Income Tax Department for the results of its operations for the year 2022, taking into consideration that all tax filings have been submitted and the tax consultant is following up on tax reconciliations with tax authorities.

The taxes shown in the interim condensed consolidated income statement represent the following:

	30 June 2023
	U.S. \$ (000's)
Income tax expense for the period	899
Amortization of deferred tax liability	(187)
	<u>712</u>

13. Sale of land and development rights

During the period and previous years, Jericho Gate for Real Estate Investment Company (a subsidiary) signed sale of land and development rights agreements with local developers.

Following are the details of revenues according to the use of land:

	30 June 2023		
	U.S. \$ (000's)		
	Sales revenue	Cost of sales	Gross Profit
	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
Housing	4,176	(2,576)	1,600
Commercial	1,490	(964)	526
Mixed use	1,312	(902)	410
	<u>6,978</u>	<u>(4,442)</u>	<u>2,536</u>

Cost of sales includes the value of sold lands in addition to the portion of any other added costs, and according to the percentage of completion of infrastructure.

Following is the details of revenues from contracts with customers:

According to the revenue recognition time:

	30 June 2023
	U.S. \$ (000's)
At a specific point of time	2,981
Over a period of time	3,997
	<u>6,978</u>

14. Related party transactions

Related parties represent all balances and transactions with related parties which represent associated company, major shareholders, members of Board of directors and key management personnel of ARKAAN, and entities controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by ARKAAN'S Board of Directors.

Following are the balances of related parties included in the interim condensed consolidated statement of financial position, as at 30 June 2023 and 31 December 2022:

	Nature of relationship	30 June 2023	31 December 2022
		U.S. \$ (000's)	U.S. \$ (000's)
Other current assets	Company invested in by major shareholders	<u>19,436</u>	<u>20,018</u>
Other current assets	A major shareholder's subsidiaries	<u>36</u>	<u>64</u>
Cash and deposits at banks	Associate	<u>9,742</u>	<u>15,698</u>
Non-controlling interests	Major shareholder	<u>26,171</u>	<u>28,890</u>
Accounts Payable	Major shareholder	<u>2,179</u>	<u>-</u>
Accounts Payable	Company invested in by major shareholders	<u>38</u>	<u>37</u>

Following are the transactions with related parties included in the interim condensed consolidated income statement:

	Nature of relationship	30 June 2023
		U.S. \$ (000's)
Interest from deposits	Associate	98

Key management's salaries and benefits for ARKAAN and its subsidiaries:

Key management's share of salaries and related benefits	216
Key management's share of employees' indemnity expense	17
Board of Directors' compensation and expenses	51

15. Financial Instruments

Fair value measurements

ARKAAN uses the following sequence to determine and disclose the fair values of its financial instruments:

- The first level: using trading prices (unadjusted prices) for completely similar financial instruments in active financial markets for financial instruments.
- The second level: using data other than trading prices, but which can be observed directly or indirectly.
- The third level: Using data that is not based on observable market data.

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

The following table shows the fair value measurement hierarchy of financial assets as at 30 June 2023:

	Fair Value Measurement using			
	Total	Trading Prices	Observable	Unobservable
		U.S. \$	in active market	data
U.S. \$	U.S. \$	(The second	(The third	
(000's)	(000's)	level)	level)	
		U.S. \$	U.S. \$	
		(000's)	(000's)	
<u>Assets measured at fair value:</u>				
<u>Financial assets at fair value</u>				
through other				
comprehensive income				
items:				
Quoted	138,867	138,867	-	-
Unquoted	3,080	-	-	3,080
<u>Financial assets at fair value</u>				
through profit or loss -				
Quoted	22,099	22,099	-	-
<u>Assets for which fair value is</u>				
<u>disclosed</u>				
Investment in an associate	39,561	39,561	-	-

The following table shows the fair value measurement hierarchy of financial assets as at 31 December 2022:

	Fair Value Measurement using			
	Total	Trading Prices	Observable	Unobservable
		in active market	data	data
U.S. \$	(The first level)	(The second level)	(The third level)	
(000's)	U.S. \$	U.S. \$	U.S. \$	
	(000's)	(000's)	(000's)	
<u>Assets measured at fair value:</u>				
Financial assets at fair value through other comprehensive income items:				
Quoted	150,185	150,185	-	-
Unquoted	3,080	-	-	3,080
Financial assets at fair value through profit or loss -				
Quoted	24,838	24,838	-	-
<u>Assets for which fair value is disclosed</u>				
Investment in an associate	38,170	38,170	-	-

The fair value of financial assets and liabilities:

The following table shows a comparison between the carrying amounts and the fair value of the financial instruments according to their classification in the interim condensed consolidated condensed financial statements:

	Carrying amount		Fair Value	
	30 June	31 December	30 June	31 December
	2023	2022	2023	2022
U.S. \$	U.S. \$	U.S. \$	U.S. \$	
(000's)	(000's)	(000's)	(000's)	
Financial assets:				
Financial assets at fair value through other comprehensive income				
	141,947	153,265	141,947	153,265
Financial assets at fair value through profit or loss				
	22,099	24,838	22,099	24,838
Accounts receivable	108,545	104,143	108,545	104,143
Other financial assets	22,053	21,041	22,053	21,041
Cash and deposits at banks	26,437	26,632	26,437	26,632
	<u>321,081</u>	<u>329,919</u>	<u>321,081</u>	<u>329,919</u>
Financial Liabilities:				
Accounts payable	3,792	1,922	3,792	1,922
Other financial liabilities	8,183	9,722	8,183	9,722
	<u>11,975</u>	<u>11,644</u>	<u>11,975</u>	<u>11,644</u>

The fair values of financial assets and liabilities are shown according to the values at which exchanges can take place between the parties concerned, with the exception of compulsory or liquidation sales.

- The fair values of accounts receivable (except for long-term accounts receivable), other current assets, cash and deposits at banks, accounts payable and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments.

- The fair value of long-term lease liabilities and long-term accounts receivable were estimated by discounting the expected cash flows using the same interest rates for items with similar terms and risk characteristics.
- The fair value of quoted financial assets at fair value through profit or loss and quoted financial assets at fair value through other comprehensive income is determined based on their price quotations at the date of the interim condensed consolidated financial statements.
- The fair value of unquoted financial assets at fair value is determined using appropriate valuation methods.

16. Contractual commitments and contingent liabilities.

As of the interim condensed consolidated financial statements date, ARKAAN & Jericho Gate for Real Estate Investment Company (a subsidiary) had contractual obligations resulting from contracts signed with contractors and consultants. The amount of 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:

	30 June 2023	31 December 2022
	U.S. \$ (000's)	U.S. \$ (000's)
Unpaid portion of the contractual contracts	36,407	5,381
Unpaid portion of the consultation contracts	1,176	80
	<u>37,583</u>	<u>5,461</u>

17. Segment information

ARKAAN presents segment reporting information in accordance with ARKAAN's nature of operations, as risks and rates of return are affected predominantly by differences in the products and services provided.

Business segments comprise of real estate development and investment in addition to the financial investment sector. Business operations are organised and managed separately according to the nature of the services provided by each sector, as each sector presents a strategic business unit.

The following table represents revenues, profit before tax, and other segment information regarding ARKAAN's operating segments as of 30 June 2023 and 31 December 2022:

	Real estate development	Financial investment	Eliminations	Total
	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
<u>30 June 2023</u>				
<u>Revenues</u>				
Revenues from external parties	6,996	-	-	6,996
Inter-segment revenues (eliminated)	-	10,578	(10,578)	-
Share of associate's results of operations	-	1,461	-	1,461
Cash dividends income from financial investments	-	9,128	-	9,128
Losses from financial assets at fair value through profit or loss	-	(2,739)	-	(2,739)
Segment revenues	6,996	18,428	(10,578)	14,846
<u>Results of operations</u>				
Segment's profit before tax	4,969	18,034	(11,826)	11,177
<u>Other information</u>				
Cost of land and sold development rights	(3,194)	-	(1,248)	(4,442)
Capital expenditures	5,749	-	-	5,749
Interest revenues	2,135	167	-	2,302
Investment in an associate	-	34,746	-	34,746

The following table represents the assets and liabilities of ARKAAN's business segments as at 30 June 2023 and 31 December 2022:

	Real estate development	Financial investment	Eliminations	Total
	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
<u>30 June 2023</u>				
Segments' assets	208,157	576,606	(310,165)	474,598
Segments' liabilities	59,146	781	(2,211)	57,716
<u>31 December 2022</u>				
Segments' assets	211,074	570,276	(303,339)	478,011
Segments' liabilities	53,014	371	3,407	56,792

18. Concentration of risk in geographic area

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