

التاريخ: 2023/05/15

السادة بورصة فلسطين المحترمين،

الموضوع: الإفصاح عن القوائم المالية المرحلية الموحدة المختصرة (الغير مدققة) للربع 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 للربع الأول من العام 2023.
2. البيانات المطلوبة في المادة (2/37) 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



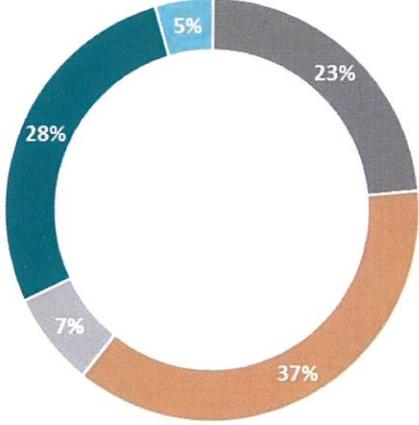
أركان  
ARKAAN

2023/05/15

البيانات المالية المرحلية الموحدة المختصرة  
للتربيع الأول من العام 2023

Financial Disclosure  
Q1 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><b>Consolidated Performance</b></p> <p>For Q1 2023, the consolidated net profit attributable to the shareholders of ARKAAN amounted to USD 8.2 million and the earnings per share amounted to USD 0.062.</p>	<p><b>ملخص أداء أركان</b></p> <p>بلغ صافي أرباح أركان العائد إلى مساهمي الشركة خلال الربع الأول من العام 2023 ما مقداره 8.2 مليون دولار أمريكي وبلغ نصيب السهم من الأرباح 0.062 دولار أمريكي.</p>														
<p><b>ARKAAN's Assets</b></p> <p>Total assets as of end of Q1 2023 amounted to U.S. \$ 485.8 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>37%</td> </tr> <tr> <td>Investment properties and properties under development</td> <td>23%</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>5%</td> </tr> <tr> <td>Financial investments</td> <td>5%</td> </tr> </tbody> </table>	Asset Category	Percentage	Financial investments	37%	Investment properties and properties under development	23%	Receivables and other current assets	28%	Investment in associate	7%	Cash and cash equivalent	5%	Financial investments	5%	<p><b>موجودات أركان</b></p> <p>مع نهاية الربع الأول من العام 2023، بلغ مجموع موجودات أركان ما مقداره 485.8 مليون دولار أمريكي موزعة بحسب البنود الموضحة في الرسم البياني التالي:</p> <ul style="list-style-type: none"> <li>استثمارات مالية Financial investments</li> <li>استثمارات عقارية وممتلكات قيد التطوير Investment properties and properties under development</li> <li>ذمم وأرصدة مدينة Receivables and other current assets</li> <li>استثمار في شركة حليفة Investment in associate</li> <li>النقد والنقد المعادل Cash and cash equivalent</li> </ul>
Asset Category	Percentage														
Financial investments	37%														
Investment properties and properties under development	23%														
Receivables and other current assets	28%														
Investment in associate	7%														
Cash and cash equivalent	5%														
Financial investments	5%														
<p><b>Investments</b></p> <p><u>Financial Investments:</u></p> <p>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 Q1 2023, the fair value for those investments amounted to U.S. \$180.5 million.</p>	<p><b>الاستثمارات</b></p> <p><u>الاستثمارات المالية:</u></p> <p>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 180.5 مليون دولار أمريكي كما في نهاية الربع 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 Q1 2023.</p>	<p>تمتلك أركان حصة جوهرية 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 الربع الأول من العام 2023.</p>														

<p><b>Investments properties and properties under development:</b></p> <p>ARKAAN holds land portfolio in prime locations across the West Bank and Gaza. As of end of Q1 2023, the book value for this portfolio amounted to U.S. \$ 69.5 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><b>الاستثمارات العقارية والممتلكات قيد التطوير:</b></p> <p>تمتلك أركان قطع أراضي في مناطق عدة في الضفة الغربية وقطاع غزة. بلغت القيمة الدفترية للمحفظة العقارية كما في نهاية الربع الأول من العام 2023 ما مقداره 69.5 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 Q1 2023, the book value for properties under development amounted to U.S. \$ 43.8 million.</p>	<p>يمثل غالبية بند الممتلكات قيد التطوير قيمة الأراضي التي يتم تطويرها ومن ثم بيعها ضمن مشروع بوابة أريحا. كما في نهاية الربع الأول للعام 2023، بلغت القيمة الدفترية لهذه الأراضي ما مقداره 43.8 مليون دولار أمريكي.</p>

## 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 براهمه  
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

\* On 14/05/2023, Mr. Ammar Aker submitted his resignation from the Board as Chairman of the Board representing The Arab Supply and Trading Company (ASTRA).

\* قدم السيد عمار العكر استقالته من عضوية مجلس الإدارة كرئيس مجلس الإدارة ممثلاً عن الشركة العربية للتجارة والتموين (أسترا) وذلك بتاريخ 2023/05/14.

## External Auditor

## ثالثاً: مدققي الحسابات

Ernst & Young.

شركة ارنست ويونغ.

## Paid up Capital

## رابعاً: رأس المال المكتتب

1. Outstanding shares = 131,625,000
2. Par value per share = U.S. \$ 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 ARKAAN or held by ARKAAN against others which could affect the ARKAAN's operations or the trading price of its stock.

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  
Mohammad Barghouthi  
مدير الإدارة المالية  
Director of Finance



أركان  
ARKAAN  
شركة أركان العقارية



**Arkaan Real Estate P.L.C**

**Unaudited Interim Condensed Consolidated Financial Statements**

**31 March 2023**



**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 31 March 2023, which comprise the interim condensed consolidated statement of financial position as at 31 March 2023 and the related interim condensed consolidated income statement, 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 three-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).

**Other matter**

These interim condensed consolidated financial statements represent the first issued financial statements for ARKAAN since inception for the three-month period ended March 31. Accordingly, there are no comparative figures presented for the interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows.

**Ernst & Young - Middle East**

License # 206/2012

**Abdelkarim Mahmoud**

License # 101/2017

May 14, 2023  
Ramallah - Palestine

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 March 2023

		31 March 2023	31 December 2022
		Unaudited	Audited
	Notes	U.S. \$ (000's)	U.S. \$ (000's)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant, and equipment		691	728
Investment properties	4	69,547	69,388
Properties under development	5	43,759	43,638
Investment in an associate	6	35,145	33,753
Financial assets at fair value through other comprehensive income	7	155,573	153,265
Long-term receivables	8	60,139	64,910
		<u>364,854</u>	<u>365,682</u>
<b>Current assets</b>			
Accounts receivable	8	44,335	39,233
Other current assets	9	29,668	21,626
Financial assets at fair value through profit or loss	7	24,888	24,838
Cash and deposits at banks		22,064	26,632
		<u>120,955</u>	<u>112,329</u>
<b>Total assets</b>		<u>485,809</u>	<u>478,011</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
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	2,377	(14)
Retained earnings		14,711	6,531
<b>Equity attributable to equity holders of the parent</b>		<u>402,900</u>	<u>392,329</u>
Non-controlling interests	1	25,574	28,890
<b>Total equity</b>		<u>428,474</u>	<u>421,219</u>
<b>Non-current liabilities</b>			
Long-term unearned revenues		18,583	17,651
Deferred tax liability		3,933	3,996
Other non-current liabilities		1,497	1,467
		<u>24,013</u>	<u>23,114</u>
<b>Current liabilities</b>			
Accounts payable		3,354	1,922
Short-term unearned revenues		22,560	21,458
Provision for income tax	12	-	1,779
Other current liabilities		7,408	8,519
		<u>33,322</u>	<u>33,678</u>
<b>Total liabilities</b>		<u>57,335</u>	<u>56,792</u>
<b>Total equity and liabilities</b>		<u>485,809</u>	<u>478,011</u>

The attached notes from 1 to 19 are part of these interim condensed consolidated financial statements

**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT**

For the three-month period ended 31 March 2023

		For the three-month period ended 31 March 2023
		Unaudited
	Notes	U.S. \$ (000's)
Revenues from sale of land and development rights	13	1,286
Cost of land and development rights	13	(1,158)
<b>Profit from real estate activities</b>		<b>128</b>
ARKAAN's share of associate's results	6	732
Gain from valuation of financial assets at fair value through profit or loss		50
Dividends income from financial investments		7,052
<b>Profit from investment activities</b>		<b>7,834</b>
Interest revenues		1,339
Operating and administrative expenses		(658)
<b>Operating profit</b>		<b>8,643</b>
Other revenues and expenses, net		(83)
<b>Profit for the period before income tax</b>		<b>8,560</b>
Income tax expense	12	(170)
<b>Profit for the period</b>		<b>8,390</b>
Attributable to:		
Shareholders of the parent		8,180
Non-controlling interest		210
		<b>8,390</b>
<b>Basic and diluted earnings per share for the period</b>		<b>0.062</b>

The attached notes from 1 to 19 are part of these interim condensed consolidated financial statements

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the three-month period ended 31 March 2023

	<u>Notes</u>	For the three-month period ended 31 March 2023 <u>Unaudited</u> U.S. \$ (000's)
<b>Profit for the period</b>		8,390
<b>Other Comprehensive Income items:</b>		
Items that will not be reclassified to the consolidated income statement in subsequent periods:		
Gain from valuation of financial assets at fair value through other comprehensive income	7	2,308
ARKAAN's share of associate's other comprehensive income	6	<u>83</u>
<b>Total other comprehensive income for the period</b>		<u>2,391</u>
<b>Net comprehensive income for the period</b>		<u><u>10,781</u></u>
<b>Attributable to:</b>		
Shareholders of the parent		10,571
Non-controlling interest		<u>210</u>
		<u><u>10,781</u></u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the three-month period ended 31 March 2023

	Equity attributable to equity holders of the parent					Total U.S. \$ (000's)	Non- controlling interests U.S. \$ (000's)	Total equity U.S. \$ (000's)
	Paid-in share capital	Additional paid-in capital	Statutory Reserve	Fair Value Reserve	Retained earnings			
	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)			
<b>Balance as at 1 January 2023</b>	131,625	253,461	726	(14)	6,531	392,329	28,890	421,219
Profit for the period	-	-	-	-	8,180	8,180	210	8,390
Other comprehensive income items	-	-	-	2,391	-	2,391	-	2,391
Net comprehensive income for the period	-	-	-	2,391	8,180	10,571	210	10,781
Distributed cash dividends from a subsidiary (Note 11)	-	-	-	-	-	-	(3,526)	(3,526)
<b>Balance as at 31 March 2023 (Unaudited)</b>	<u>131,625</u>	<u>253,461</u>	<u>726</u>	<u>2,377</u>	<u>14,711</u>	<u>402,900</u>	<u>25,574</u>	<u>428,474</u>

The attached notes from 1 to 19 are part of these interim condensed consolidated financial statements

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the three-month period ended 31 March 2023

	For the three-month period ended 31 March 2023
	Unaudited
	U.S. \$ (000's)
<b><u>Operating Activities</u></b>	
Profit for the period before income tax	8,560
<b>Adjustments:</b>	
Depreciation and amortization	40
Gain from valuation of financial assets at fair value through profit or loss	(50)
ARKAAN's share of associate's results	(732)
Interest revenues	(1,339)
Provision for employees' indemnity	31
Land settlement provision	99
Finance cost	5
Other non-cash items	318
	<u>6,932</u>
<b>Working capital adjustments:</b>	
Accounts receivable	(331)
Other current assets	(6,297)
Accounts payable	(331)
Properties under development	268
Unearned revenues	2,034
Other current liabilities	(1,265)
Other non-current liabilities	(9)
Income tax paid	(3,417)
<b>Net cash flows used in operating activities</b>	<u>(2,416)</u>
<b><u>Investing Activities</u></b>	
Investment in an associate	(577)
Purchase of investment properties	(258)
Properties under development	(803)
Purchase of property, plant, and equipment	(3)
Interest revenues received	1,257
<b>Net cash flows used in investing activities</b>	<u>(384)</u>
<b><u>Financing activities</u></b>	
Dividends paid to non-controlling interests	(1,763)
Finance costs paid	(5)
<b>Net cash used in financing activities</b>	<u>(1,768)</u>
<b>Decrease in cash and cash equivalents</b>	(4,568)
Cash and cash equivalents, beginning of the period	13,027
<b>Cash and cash equivalents, end of the period</b>	<u>8,459</u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

As at 31 March 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 31 March 2023, were authorized for issuance in accordance with a resolution of the Board of Directors on May 11, 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 31 March 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 three-month period ended 31 March 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 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 three-month period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

These interim condensed consolidated financial statements represent the first issued financial statements since inception as a public limited shareholding company, which comprise the interim condensed consolidated statement of financial position as of 31 March 2023, interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flow for the three-month period ended 31 March. Accordingly, there are no comparative figures presented for interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flow.

#### **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.

**4. Investment Properties**

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

	31 March 2023	31 December 2022
	U.S. \$ (000's)	U.S. \$ (000's)
<b>Balance, beginning of the period</b>	69,529	-
Investment properties transferred from PALTEL*	-	67,723
Additions	258	2,168
Impairment losses of investments	-	(362)
<b>Balance, end of the period</b>	69,787	69,529
Provision for land settlement	(240)	(141)
<b>Balance, end of the period</b>	69,547	69,388

- \* 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.

**5. Properties under development.**

The movement on properties under development was as follows:

	31 March 2023	31 December 2022
	U.S. \$ (000's)	U.S. \$ (000's)
<b>Balance, beginning of the period</b>	43,638	-
Additions	964	3,842
Properties under development transferred from PALTEL	-	54,437
Transferred to property, plant and equipment	-	(122)
Cost of sold properties under development	(843)	(14,519)
<b>Balance, end of the period</b>	43,759	43,638

Properties under development includes the following as at 31 March 2023:

	31 March 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	24,207	23,319
Studies and consultants	4,616	4,540
Finance costs	746	746
Others	398	398
	<u>103,978</u>	<u>103,014</u>
Sold properties under development	<u>(60,219)</u>	<u>(59,376)</u>
	<u>43,759</u>	<u>43,638</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, with an ownership percentage of 19.22%.

The market value of ARKAAN's investment in an associate (listed in Palestine exchange market) as at 31 March 2023 amounted to U.S. \$ 39,126,000.

The following is the movement on investment in an associate:

	31 March 2023	31 December 2022
	<u>U.S. \$ (000's)</u>	<u>U.S. \$ (000's)</u>
<b>Balance, beginning of the period</b>	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	732	1,971
ARKAAN's share of associate's other comprehensive income item	83	64
<b>Balance, end of the period</b>	<u>35,145</u>	<u>33,753</u>

Subsequent to the date of these interim condensed consolidated financial statements, members of the board of directors representing ARKAAN's interests have submitted their resignations from the board of directors of The National Bank (associate company), where a new board of directors will be established soon. If ARKAAN loses its influence over the associate company, and based on International Financial Reporting Standards, its share in the associate company will be re-evaluated at fair value and the investment will be reclassified as financial assets at fair value (Note 19).

## 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:

	31 March 2023	31 December 2022
	<u>U.S. \$ (000's)</u>	<u>U.S. \$ (000's)</u>
Quoted shares in regional financial markets	152,493	150,185
Un-Quoted shares in financial markets	3,080	3,080
	<u>155,573</u>	<u>153,265</u>

Movement on the fair value reserve was as follows:

	31 March 2023	31 December 2022
	<u>U.S. \$ (000's)</u>	<u>U.S. \$ (000's)</u>
<b>Balance, beginning of the period</b>	(14)	-
Profit (Losses) from valuation of financial assets at fair value through other comprehensive income	2,308	(78)
ARKAAN's share of associate's other comprehensive income	83	64
<b>Balance, end of the period</b>	<u>2,377</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:

	31 March 2023	31 December 2022
	<u>U.S. \$ (000's)</u>	<u>U.S. \$ (000's)</u>
Quoted shares in regional financial markets	24,888	24,838

## 8. Accounts receivable

	31 March 2023	31 December 2022
	<u>U.S. \$ (000's)</u>	<u>U.S. \$ (000's)</u>
Trade receivables	792	801
Checks under collection	104,906	104,566
	105,698	105,367
Allowance for expected credit losses	(1,224)	(1,224)
	104,474	104,143
Short-term accounts receivable	44,335	39,233
Long-term accounts receivable	<u>60,139</u>	<u>64,910</u>

## 9. Other Current Assets

	31 March 2023	31 December 2022
	U.S. \$ (000's)	U.S. \$ (000's)
Due from PALTEL	19,436	20,018
Dividends receivable	7,052	-
Income tax advances (Note 12)	1,509	-
Due from Value Added Tax department	889	795
Advances to suppliers	602	583
Accrued interest revenues	82	77
Due from related parties	17	64
Others	81	89
	<u>29,668</u>	<u>21,626</u>

## 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

	31 March 2023	31 December 2022
	U.S. \$ (000's)	U.S. \$ (000's)
<b>Balance, beginning of the period</b>	1,779	-
Transferred from PALTEL	-	403
Additions	233	2,030
Payments of income tax	(3,417)	(669)
Currency difference	(104)	15
<b>Balance, end of the period (Note 9)</b>	<u>(1,509)</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, ARKAAN and Jerusal (a subsidiary) has not reached a final settlement with the Income Tax Department for the results of its operations for the year 2021, 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:

	<u>31 March 2023</u>
	<u>U.S. \$ (000's)</u>
Income tax expense for the period	233
Amortization of deferred tax liability	<u>(63)</u>
	<u>170</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 land type:

	For the three-month period ended 31 March 2023		
	U.S. \$ (000's)		
	Sales revenue	Cost of sales	Gross Profit
	<u>U.S. \$ (000's)</u>	<u>U.S. \$ (000's)</u>	<u>U.S. \$ (000's)</u>
Housing	129	(105)	24
Commercial	63	(52)	11
Mixed use	1,094	(1,001)	93
	<u>1,286</u>	<u>(1,158)</u>	<u>128</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.

The details of revenues from contracts with customers after deducting granted sale discounts:

#### According to the revenue recognition time:

	For the three- month period ended 31 March 2023
	<u>U.S. \$ (000's)</u>
At a specific point of time	764
Over a period of time	<u>522</u>
	<u>1,286</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 31 March 2023:

		31 March 2023	31 December 2022
	Nature of relationship	U.S. \$ (000's)	U.S. \$ (000's)
Other current assets	Company invested in by major shareholders	19,436	20,018
Other current assets	A major shareholder's subsidiaries	17	64
Cash and deposits at banks	Associate	11,188	15,698
Non-controlling interests	Major shareholder	25,574	28,890
Accounts Payable	Major shareholder	1,763	-
Accounts Payable	Company invested in by major shareholders	38	37

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

		For the three- month period ended 31 March 2023
	Nature of relationship	U.S. \$ (000's)
Interest from deposits	Associate	15

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

Key management's share of salaries and related benefits	162
Key management's share of employees' indemnity expense	41
Board of Directors' compensation and expenses	7

## 15. Fair Value

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 31 March 2023:

	Fair Value Measurement using			
	Total	Trading Prices in active market (The first level)	Observable data	Unobservable data
			(The second level)	(The third level)
U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	
<b><u>Assets measured at fair value:</u></b>				
Financial assets at fair value through other comprehensive income items:				
Quoted	152,493	152,493	-	-
Unquoted	3,080	-	-	3,080
Financial assets at fair value through profit or loss – Quoted	24,888	24,888	-	-
<b><u>Assets for which fair value is disclosed</u></b>				
Investment in an associate	39,126	39,126	-	-

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

	Fair Value Measurement using			
	Total	Trading Prices in active market (The first level)	Observable data	Unobservable data
			(The second level)	(The third level)
U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	
<b><u>Assets measured at fair value:</u></b>				
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	-	-
<b><u>Assets for which fair value is disclosed</u></b>				
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	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
<b>Financial assets:</b>				
Financial assets at fair value through other comprehensive income	155,573	153,265	155,573	153,265
Financial assets at fair value through profit or loss	24,888	24,838	24,888	24,838
Accounts receivable	104,474	104,143	104,474	104,143
Other financial assets	27,531	21,041	27,531	21,041
Cash and deposits at banks	22,064	26,632	22,064	26,632
	<u>334,530</u>	<u>329,919</u>	<u>334,530</u>	<u>329,919</u>
<b>Financial Liabilities:</b>				
Accounts payable	3,354	1,922	3,354	1,922
Other financial liabilities	8,614	9,722	8,614	9,722
	<u>11,968</u>	<u>11,644</u>	<u>11,968</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, 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:

	31 March 2023	31 December 2022
	U.S. \$ (000's)	U.S. \$ (000's)
Unpaid portion of the contractual contracts	40,077	5,381
Unpaid portion of the consultation contracts	924	80
	<u>41,001</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 31 March 2023 and 31 December 2022:

<b>31 March 2023</b>	Real estate development	Financial investment	Eliminations	Total
<b>Revenues</b>	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
Revenues from external parties	1,286	-	-	1,286
Inter-segment revenues (eliminated)	-	10,578	(10,578)	-
Share of associate's results of operations	-	732	-	732
Cash dividends income from financial investments	-	7,052	-	7,052
Profit from financial assets at fair value through profit or loss	-	50	-	50
Segment revenues	<u>1,286</u>	<u>18,412</u>	<u>(10,578)</u>	<u>9,120</u>
<b>Results of operations</b>				
Segment's profit before tax	<u>1,329</u>	<u>18,231</u>	<u>(11,000)</u>	<u>8,560</u>
<b>Other information</b>				
Cost of land and development rights	<u>(736)</u>	<u>-</u>	<u>(422)</u>	<u>(1,158)</u>
Capital expenditures	<u>1,225</u>	<u>-</u>	<u>-</u>	<u>1,225</u>
Interest revenues	<u>1,298</u>	<u>41</u>	<u>-</u>	<u>1,339</u>
Investment in an associate	<u>-</u>	<u>35,145</u>	<u>-</u>	<u>35,145</u>

The following table represents the assets and liabilities of ARKAAN's business segments as at 31 March 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)
<b>31 March 2023</b>				
Segments' assets	206,072	590,952	(311,215)	485,809
Segments' liabilities	57,651	563	(879)	57,335

	Real estate development	Financial investment	Eliminations	Total
	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
<b>31 December 2022</b>				
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 business and may adversely affect the performance.

**19. Subsequent event**

Subsequent to the date of these interim condensed consolidated financial statements, members of the board of directors representing ARKAAN's interests have submitted their resignations from the board of directors of The National Bank (associate company), where a new board of directors will be established soon. If ARKAAN loses its influence over the associate company, and based on International Financial Reporting Standards, its share in the associate company will be re-evaluated at fair value and the investment will be reclassified as financial assets at fair value.