

التاريخ: 2022/11/14

السادة بورصة فلسطين المحترمين،

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

تحية طيبة وبعد،

بالإشارة إلى الموضوع أعلاه، مرفق إلى حضرتكم الملفات التالية:

1. البيانات المالية المرحلية الموحدة المختصرة للربع الثالث من العام 2022.
2. البيانات المطلوبة في المادة 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

2022/11/14

البيانات المالية المرحلية الموحدة المختصرة  
للقرب الثالث من العام 2022

Financial Disclosure  
Q3 2022

## Corporate information

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.

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

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

## الشركة ونشاطها

تأسست شركة 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.

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. تم تحويل صافي موجودات بقيمة 414,747,000 دولار أمريكي مقابل مساهمة في رأس المال مما نتج عنه قيد رأس مال إضافي بقيمة 253,461,000 دولار أمريكي وحقوق جهات غير مسيطرة بقيمة 29,661,000 دولار أمريكي.

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

## Consolidated Profit

## الأرباح الموحدة

The consolidated net profit attributable to the shareholders of ARKAAN amounted to USD 1.6 million and the earnings per share amounted to USD 0.01

بلغ صافي أرباح أركان العائد إلى مساهمي الشركة خلال الربع الثالث من العام 2022 ما مقداره 1.6 مليون دولار أمريكي وبلغ نصيب السهم من الأرباح 0.01 دولار أمريكي.

## 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 براهيمة  
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 Ratrou**  
Acting Chief Executive Officer

1. السيد كمال الرطروط  
قائم بأعمال الرئيس التنفيذي

**Mr. Mohammad Barghouthi**  
Director of Finance

2. السيد محمد البرغوثي  
مدير الإدارة المالية

**Mr. Waleed Ftieha**  
General Manager / Jericho Gate

3. السيد وليد فتية  
مدير عام شركة بوابة أريحا

## External Auditor

## ثالثاً: مدققي الحسابات

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

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

## Paid up Capital

رابعاً: رأس المال المكتتب

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

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

## Legal Procedures and Issues

خامساً: الاجراءات القانونية

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

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

محمد البرغوثي

محمد البرغوثي

Mohammad Barghouthi

مدير الإدارة المالية

Director of Finance

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

**Unaudited Interim Condensed Consolidated Financial Statements**

**30 September 2022**



Ernst & Young  
P.O. Box 1373  
7<sup>th</sup> Floor,  
PADICO House Bldg.  
Al-Masyoun  
Ramallah-Palestine

Tel: +972 22421011  
Fax: +972 22422324  
www.ey.com

## 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 September 30, 2022, which comprise the interim condensed consolidated statement of financial position as at September 30, 2022 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 period since inception on February 21, 2022 until September 30, 2022 and explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standards (IAS 34) "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of review

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

### Conclusion

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

### Ernst & Young - Middle East

License # 206/2012

**Abdelkarim Mahmoud**

License # 101/2017

November 14, 2022  
Ramallah - Palestine

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 September 2022

		30 September 2022
		(Unaudited)
	Notes	U.S. \$ (000's)
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment		434
Investment properties	5	68,790
Properties under development	6	51,910
Investment in an associate	7	32,522
Financial assets at fair value through other comprehensive income	8	147,248
Long term receivables	9	45,823
		<u>346,727</u>
<b>Current assets</b>		
Accounts receivable	9	46,553
Other current assets		21,454
Financial assets at fair value through profit or loss	8	23,793
Cash and cash equivalent		15,055
		<u>106,855</u>
<b>Total assets</b>		<u><u>453,582</u></u>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Paid-in share capital	1	131,625
Additional paid-in capital	1	253,461
Fair value reserve	8	(5,728)
Retained earnings		1,633
		<u>380,991</u>
<b>Equity attributable to equity holders of the parent</b>		<u>380,991</u>
Non-controlling interests	1	27,504
<b>Total equity</b>		<u>408,495</u>
<b>Non-current liabilities</b>		
Long-term unearned revenues		8,581
Deferred tax liability		4,636
Other non-current liabilities		1,201
		<u>14,418</u>
<b>Current liabilities</b>		
Accounts payable		1,437
Short-term unearned revenues		20,732
Provision for income tax	12	1,354
Other current liabilities		7,146
		<u>30,669</u>
<b>Total liabilities</b>		<u>45,087</u>
<b>Total equity and liabilities</b>		<u><u>453,582</u></u>

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

**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT**

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

	Notes	For the period since inception on 21 February 2022 until 30 September 2022 <u>(Unaudited)</u> U.S. \$ (000's)
Revenues from sale of land and development rights	13	7,347
Cost of land and development rights	13	<u>(4,830)</u>
<b>Gross profit</b>		2,517
Operating and administrative expenses		(465)
Losses from valuation and sale of investments		(793)
ARKAAN's share of associate's results	7	664
Other revenues and expenses, net		<u>1,072</u>
<b>Profit before income tax</b>		2,995
Income tax expense	12	<u>(698)</u>
<b>Profit for the period</b>		<u><u>2,297</u></u>
Attributable to:		
Shareholders of the parent		1,633
Non-controlling interest		<u>664</u>
		<u><u>2,297</u></u>
<b>Basic and diluted earnings per share</b>		<u><u>0.01</u></u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

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

	Notes	For the period since inception on 21 February 2022 until 30 September 2022 <u>(Unaudited)</u> U.S. \$ (000's)
<b>Profit for the Period</b>		2,297
<b>Other Comprehensive Income items:</b>		
Items that will not be reclassified to the consolidated income statement in subsequent periods:		
Losses of financial assets at fair value through other comprehensive income	8	(5,794)
ARKAAN's share of associate's other comprehensive income	7	66
<b>Total other comprehensive income for the period</b>		<u>(5,728)</u>
<b>Net comprehensive income for the period</b>		<u><u>(3,431)</u></u>
<b>Attributable to:</b>		
Shareholders of the parent		(4,095)
Non-controlling interest		664
		<u><u>(3,431)</u></u>

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

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

	Equity attributable to equity holders of the parent				Total	Non-controlling interests	Total equity
	Paid-in share capital	Additional paid-in capital	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)	U.S. \$ (000's)	U.S. \$ (000's)
<b>30 September 2022</b>							
<b>Balance as at 21 February 2022</b>	-	-	-	-	-	-	-
Paid-in capital (Note 1)	131,625	-	-	-	131,625	-	131,625
Additional paid-in capital (Note 1)	-	253,461	-	-	253,461	-	253,461
Non-controlling interests (Note 1)	-	-	-	-	-	29,661	29,661
	131,625	253,461	-	-	385,086	29,661	414,747
Profit for the period	-	-	-	1,633	1,633	664	2,297
Other comprehensive income items	-	-	(5,728)	-	(5,728)	-	(5,728)
Net comprehensive income for the period	-	-	(5,728)	1,633	(4,095)	664	(3,431)
Distributed cash dividends from a subsidiary (Note 11)	-	-	-	-	-	(2,821)	(2,821)
<b>Balance as at 30 September 2022 (Unaudited)</b>	131,625	253,461	(5,728)	1,633	380,991	27,504	408,495

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 period since inception on 21 February 2022 until 30 September 2022

	For the period since inception on 21 February 2022 until 30 September 2022
	(Unaudited)
	U.S. \$ (000's)
<b><u>Operating Activities</u></b>	
Profit before income tax	2,995
<b>Adjustments:</b>	
Depreciation and amortization	27
Losses from valuation and sale of investments	793
ARKAAN's share of associate's results	(664)
Interest revenues	(1,066)
Provision for employees' indemnity	17
Other non-cash items	1,456
	<u>3,558</u>
<b>Working capital adjustments:</b>	
Accounts receivable	(3,221)
Other current assets	1,539
Accounts payable	(681)
Properties under development	2,399
Unearned revenues	6,374
Other current liabilities	(314)
Other non-current liabilities	(4)
<b>Net cash flows from operating activities</b>	<u>9,650</u>
<b><u>Investing Activities</u></b>	
Cash inflow from transferring Paltel's assets	11,736
Investment in an associate	(1,529)
Purchase of investment properties	(560)
Properties under development	(336)
Purchase of property, plant and equipment	(7)
<b>Net cash flows from investing activities</b>	<u>9,304</u>
<b><u>Financing activities</u></b>	
Dividends paid to non-controlling interests	(2,821)
Payments of long-term loan	(1,078)
<b>Net cash used in financing activities</b>	<u>(3,899)</u>
<b>Increase in cash and cash equivalents</b>	15,055
Cash and cash equivalents, beginning of period	-
<b>Cash and cash equivalents, end of period</b>	<u><u>15,055</u></u>

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

As at 30 September 2022

**1. Corporate Information**

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

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

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

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

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

The interim condensed consolidated financial statements of ARKAAN for the period since inception were authorized for issuance in accordance with a resolution of the Board of Directors on November 14, 2022

**2. Interim 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 September 2022.

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

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

ARKAAN'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 period since inception on 21 February 2022 until 30 September 2022 have been prepared in accordance with International Accounting Standard (IAS 34) "Interim financial reporting".

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements. The results for the period since inception on 21 February 2022 until 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2022.

These interim condensed consolidated financial statements represent the first reviewed and issued financial statements by an independent auditor for the period since inception on February 21, 2022, until September 30, 2022. Accordingly, the comparative figures are not presented as ARKAAN was incorporated during the period.

#### **Accounting Policies**

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

#### **Reference to the Conceptual Framework – Amendments to IFRS 3**

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

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

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

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

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

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

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

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

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

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

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

#### **IFRS 9 Financial Instruments – Fees in the ‘10 percent’ test for derecognition of financial liabilities**

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

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

#### **4. Spin-Off Real Estate assets & Investment portfolio**

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

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

On 26 June 2022, the Board of Directors of PALTEL approved the transfer of assets (real estate assets and investment portfolio) to ARKAAN on 30 June 2022, based on their book value on that date.

As follows, the carrying value of transferred assets and liabilities to ARKAAN as at June 30, 2022:

	U.S. \$ (000's)
<b>Assets</b>	
<b>Non-current assets</b>	
Property, plant and equipment	454
Investment properties	67,974
Properties under development	54,437
Investment in an associate	31,530
Financial assets at fair value through other comprehensive income	153,042
Long-term receivables	51,595
	359,032
<b>Current assets</b>	
Accounts receivable	36,494
Other current assets	21,726
Financial assets at fair value through profit or loss	24,586
Cash and cash equivalent	11,736
	94,542
<b>Total assets</b>	453,574
<b>Non-controlling interests</b>	29,661
<b>Non-current liabilities</b>	
Long-term unearned revenues	3,319
Deferred tax liability	4,848
Other non-current liabilities	928
	9,095
<b>Current liabilities</b>	
Accounts payable	1,171
Short - term unearned revenues	19,620
Short-term portion of long-term loan	1,078
Provision for income tax	403
Other current liabilities	7,460
	29,732
<b>Total liabilities</b>	38,827
<b>Net transferred assets</b>	385,086

## 5. Investment Properties

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

	30 September 2022
	U.S. \$ (000's)
<b>Balance, beginning of the period</b>	-
Investment properties transferred from PALTEL (Note 4) *	67,974
Additions	816
<b>Balance, end of the period</b>	68,790

\* 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 lands.

## 6. Properties under development

This item represents ARKAAN's project for land development in Jericho for the purpose of developing and selling it. Paid amounts represent costs of land, studies and legal consultation related to the project's land and financing costs. In addition to costs related to land development and infrastructure. The movement was as follows:

	30 September 2022
	U.S. \$ (000's)
<b>Balance, beginning of the period</b>	-
Properties under development transferred from PALTEL (Note 4)	54,437
Additions	1,287
Cost of sold properties	(3,814)
<b>Balance, end of the period</b>	<u>51,910</u>

## 7. 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 18.2%. Subsequent to the date of the agreement, ARKAAN purchased additional shares in the National Bank, bringing its ownership percentage to 18.96% as at September 30, 2022. ARKAAN's share of the National Bank's results amounted to U.S. \$ 664,000, while its share of other comprehensive income items amounted to U.S. \$ 66,000 US dollars.

## 8. Investments in Financial Securities

### A) Financial assets at fair value through other comprehensive income

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

	30 September 2022
	U.S. \$ (000's)
Quoted shares in regional financial markets	144,165
Unquoted shares in financial markets	3,083
	<u>147,248</u>

Movement on the fair value reserve was as follows:

	30 September 2022
	U.S. \$ (000's)
<b>Balance, beginning of the period</b>	-
Unrealized losses from valuation of financial assets at fair value through other comprehensive income	(5,794)
ARKAAN's share of associate's other comprehensive income	66
<b>Balance, end of the period</b>	<u>(5,728)</u>

### B) Financial assets at fair value through profit or loss

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

	30 September 2022
	U.S. \$ (000's)
Quoted shares in regional financial markets	<u>23,793</u>

## 9. Accounts receivable

	30 September 2022
	U.S. \$ (000's)
Trade receivables	152
Checks under collection	92,604
	92,756
Expected credit losses	(380)
	92,376
Short-term accounts receivable	(46,553)
Long-term accounts receivable	45,823

## 10. Statutory Reserve

As these interim condensed consolidated financial statements, ARKAAN did not appropriate any amounts to the statutory reserve.

## 11. Distributed Cash Dividends from a subsidiary

The Extraordinary General Assembly of Jericho Gate for Real Estate Investment Company (a subsidiary), held on August 25, 2022, approved the distribution of cash dividends to shareholders with a total amount of JD 8,000,000 (equivalent to U.S. \$ 11,283,000) distributed to each shareholder according to the percentage of his contribution in Jericho Gate for Real Estate Investment Company.

## 12. Provision for income tax

	30 September 2022
	U.S. \$ (000's)
<b>Balance, beginning of the period</b>	-
Transferred from PALTEL (Note 4)	403
Income tax expense for the period	698
Amortization of deferred tax liability	212
Currency difference	41
<b>Balance, end of the period</b>	1,354

## 13. Sale of land and development rights

During the period and previous years, Jericho Gate for Real Estate Investment Company (a subsidiary) signed land sale and development rights agreements with local developers. Following are the details of revenues according to land type:

	For the period since inception on 21 February 2022 until 30 September 2022		
	U.S. \$ (000's)		
	Sales revenue	Cost of sales	Gross profit
Housing Land	3,824	(2,414)	1,410
Tourism Land	785	(597)	188
Commercial Land	1,647	(1,045)	602
Mixed use Land	1,091	(774)	317
	7,347	(4,830)	2,517

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:

**According to the revenue recognition time:**

	For the period since inception on 21 February 2022 until 30 September 2022 <u>U.S. \$ (000's)</u>
At a specific point in time	2,940
Over a period of time	4,407
	<u>7,347</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 September 2022:

	<u>Nature of relationship</u>	<u>30 September 2022 U.S. \$ (000's)</u>
Other current assets	Associate company of a major shareholder	20,068
Cash and deposits in banks	Associate company	4,238
Non-controlling interests	Major shareholder	27,504

Following are the transactions with related parties included in the interim condensed consolidated income statement for the period since inception on 21 February 2022, until 30 September 2022:

	<u>Nature of relationship</u>	<u>For the period since inception on 21 February 2022 until 30 September 2022 U.S. \$ (000's)</u>
Key management and personnel compensation:		
Short-term benefits	Key management	105
End of service	Key management	13

## 15. Financial Instruments

### Fair Value Measurement

ARKAAN uses the following hierarchy for determining and disclosing the fair value of its assets:

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

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

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

	Fair value measurement using		
	Quoted Prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	U.S. \$000's	U.S. \$000's	U.S. \$000's
<u>Total</u>			
<b><u>Financial assets measured at fair value</u></b>			
Financial assets at fair value through other comprehensive income items:			
Quoted	144,165	144,165	-
Unquoted	3,083	-	3,083
Financial assets at fair value through profit or loss –			
Quoted	23,793	23,793	-

### Fair value of Financial Assets and Liabilities

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

	Carrying amount 30 September 2022 U.S. \$ (000's)	Fair value 30 September 2022 U.S. \$ (000's)
<b><u>Financial assets</u></b>		
Financial assets at fair value through other comprehensive income	147,248	147,248
Financial assets at fair value through profit or loss	23,793	23,793
Accounts receivable	92,376	92,376
Other current assets	20,127	20,127
Cash and cash equivalent	15,055	15,055
	<u>298,599</u>	<u>298,599</u>
<b><u>Financial liabilities</u></b>		
Accounts payable	1,437	1,437
Other current liabilities	3,871	3,871
	<u>5,308</u>	<u>5,308</u>

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

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

## 16. Contractual Commitments and Contingent Liabilities

Jericho Gate for Real Estate Investment Company (a subsidiary) has contractual commitments resulting from contracts signed with contractors and consultants as at the date of the interim condensed consolidated financial statements. 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 September 2022
	U.S. \$ (000's)
Unpaid portion of Contractual contracts	6,200
Unpaid portion of Consultation contracts	107
	<u>6,307</u>

## 17. Segment reporting

ARKAAN's reporting segments are presented according to the nature of business, as risks and rates of return are predominantly affected by the different services provided. ARKAAN's sectors consist of real estate development and investment in addition to the financial investment sector. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit.

The following table represents revenues, profit before tax, and other segment information regarding ARKAAN's operating segments for the period since inception on 21 February 2022 until 30 September 2022:

<b>30 September 2022</b>	Real estate development	Financial investment	Disposals	Total
	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
<b>Revenues</b>				
Segment's revenues from external customers	7,347	-	-	7,347
Inter-segment revenues (eliminated)	-	8,463	(8,463)	-
Total Revenues (losses)	<u>7,347</u>	<u>8,463</u>	<u>(8,463)</u>	<u>7,347</u>
<b>Results of operations</b>				
Segment's profit before tax	<u>8,151</u>	<u>4,722</u>	<u>(9,878)</u>	<u>2,995</u>

The following table represents the assets and liabilities of ARKAAN's operations segments as at 30 September 2022:

	Real estate Development	Financial Investments	Disposals	Total
	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
<b>30 September 2022</b>				
Segment's assets	188,707	562,291	(297,416)	453,582
Segment's liabilities	40,433	92	4,562	45,087

#### **18. Concentration of Risk in Geographic Area**

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