

التاريخ: 2024/05/14

السادة بورصة فلسطين المحترمين،

الموضوع: الإفصاح عن القوائم المالية المرحلية الموحدة المختصرة (الغير مدققة) للربع الأول من العام 2024
لشركة أركان العقارية المساهمة العامة ش.م.ع ("الشركة")

تحية طيبة وبعد،

بالإشارة إلى الموضوع أعلاه، مرفق إلى حضرتكم الملفات التالية:

1. البيانات المالية المرحلية الموحدة المختصرة للربع الأول من العام 2024.
2. البيانات المطلوبة في المادة (2/37) من نظام الإفصاح.
3. الإيضاحات الضرورية.

وتفضلوا بقبول فائق الاحترام والتقدير،،،

كمال رطروط

قائم بأعمال الرئيس التنفيذي

شركة أركان العقارية
المساهمة العامة ش.م.ع

Arkaan Real Estate P.L.C



2024/05/14

البيانات المالية المرحلية الموحدة المختصرة
لـلرربع الأول من العام 2024

Financial Disclosure
Q1 2024

Consolidated performance

The net profit attributable to the shareholders of ARKAAN amounted to U.S. \$ 8.6 million in the first three months of 2024 compared with U.S. \$ 8.2 for the same period of last year, reporting an increase by %4.8 mainly due to the improvement in property development works at the subsidiary (Jericho Gate). The earnings per share amounted to U.S. \$ 0.065 compared to U.S. \$ 0.062 for the same period of year 2023.

The operating profit for the first quarter of 2024 amounted to U.S. \$ 9.5 million compared to U.S. \$ 8.6 million for the first quarter of 2023, thus recording an increase by %10.



Profits from the real estate activities for the first quarter of the year 2024 amounted to U.S. \$ 1.6 million compared to U.S. \$ 128 thousand as at the end of the first quarter of year 2023.

As for investment activities, profits from this segment amounted to U.S. \$ 7.8 million for the first quarter of 2024 compared to U.S. \$ 7.8 million at the end of the first quarter of 2023.

ملخص أداء أركان

بلغ صافي أرباح أركان العائد إلى مساهمي الشركة للربع الأول من العام 2024 ما مقداره 8.6 مليون دولار مقارنة بـ 8.2 مليون دولار خلال الربع الأول من العام 2023، بنسبة زيادة بلغت %4.8، ويرجع ذلك بشكل رئيسي لتحسن أعمال التطوير العقاري للشركة التابعة (بوابة أريحا). وبلغ نصيب السهم من الأرباح 0.065 دولار مقارنة بـ 0.062 دولار خلال الربع الأول من العام 2023.

على مستوى الربح التشغيلي، بلغ الربح التشغيلي للربع الأول من العام 2024 ما قيمته 9.5 مليون دولار مقارنة بـ 8.6 مليون دولار للربع الأول من العام 2023، مسجلة بذلك ارتفاعاً بنسبة %10.



بلغت الأرباح من الأنشطة العقارية للربع الأول من العام 2024 ما قيمته 1.6 مليون دولار مقارنة مع ما قيمته 128 ألف دولار كما في نهاية الربع الأول للعام 2023.

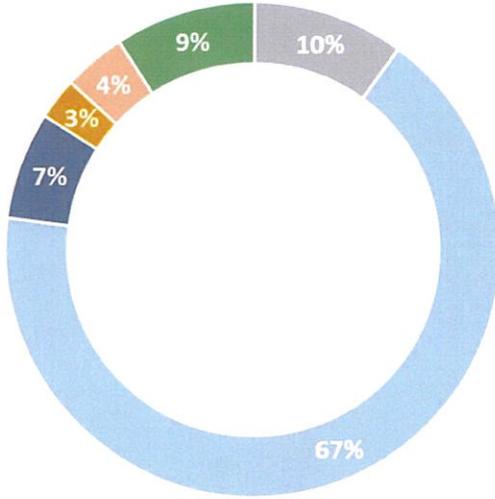
على صعيد الأرباح من الأنشطة الاستثمارية، فقد بلغت هذه الأرباح للربع الأول من العام 2024 ما قيمته 7.8 مليون دولار مقارنة مع ما قيمته 7.8 مليون دولار كما في نهاية الربع الأول للعام 2023.

<p>الربح من الأنشطة الاستثمارية (ألف دولار) Profit from investment activities (in thousand U.S. \$)</p> <p style="text-align: center;">%0 +</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Profit (in thousand U.S. \$)</th> </tr> </thead> <tbody> <tr> <td>Q1 2023</td> <td>7,834</td> </tr> <tr> <td>Q1 2024</td> <td>7,836</td> </tr> </tbody> </table>	Year	Profit (in thousand U.S. \$)	Q1 2023	7,834	Q1 2024	7,836	<p>الربح من الأنشطة العقارية (ألف دولار) Real estate activities profit (in thousand U.S. \$)</p> <p style="text-align: center;">%1115.6 +</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Profit (in thousand U.S. \$)</th> </tr> </thead> <tbody> <tr> <td>Q1 2023</td> <td>128</td> </tr> <tr> <td>Q1 2024</td> <td>1,556</td> </tr> </tbody> </table>	Year	Profit (in thousand U.S. \$)	Q1 2023	128	Q1 2024	1,556
Year	Profit (in thousand U.S. \$)												
Q1 2023	7,834												
Q1 2024	7,836												
Year	Profit (in thousand U.S. \$)												
Q1 2023	128												
Q1 2024	1,556												
<p>Assets</p> <p>Total assets as of end of Q1 2024 amounted to U.S. \$ 476 million and were distributed amongst the following groups as shown in the diagram:</p> <table border="1"> <thead> <tr> <th>Asset Group</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Financial investments</td> <td>46%</td> </tr> <tr> <td>Investment properties and properties under development</td> <td>24%</td> </tr> <tr> <td>Receivables and other current assets</td> <td>20%</td> </tr> <tr> <td>Cash and cash equivalent</td> <td>7%</td> </tr> <tr> <td>Other assets</td> <td>3%</td> </tr> </tbody> </table>	Asset Group	Percentage	Financial investments	46%	Investment properties and properties under development	24%	Receivables and other current assets	20%	Cash and cash equivalent	7%	Other assets	3%	<p>الموجودات</p> <p>مع نهاية الربع الأول للعام 2024، بلغ مجموع موجودات أركان ما مقداره 476 مليون دولار 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 النقد والنقد المعادل Cash and cash equivalent موجودات أخرى Other assets
Asset Group	Percentage												
Financial investments	46%												
Investment properties and properties under development	24%												
Receivables and other current assets	20%												
Cash and cash equivalent	7%												
Other assets	3%												

Liabilities

Liabilities amounted to U.S. \$ 53.4 million dollars at the end of the first quarter 2024 compared to U.S. \$ 54.9 million dollars at the end of the year 2023, i.e. an increase of %2.6.

The following chart shows the distribution of liabilities as at the end of the first quarter 2024:



المطلوبات

بلغت المطلوبات 53.4 مليون دولار نهاية الربع الأول 2024 مقارنة مع 54.9 مليون دولار نهاية العام 2023، أي بنسبة انخفاض 2.6%.

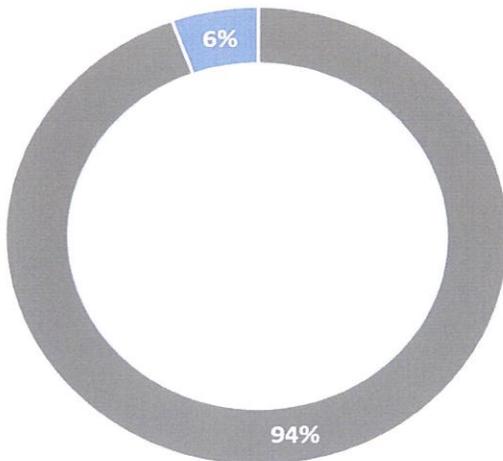
يوضح الرسم البياني التالي توزيع المطلوبات كما في نهاية الربع الأول 2024:



Equity

Equity amounted to U.S. \$ 423 million dollars at the end of the first quarter 2024 compared to U.S. \$ 418 million dollars at the end of the year 2023, i.e. an increase of %1.

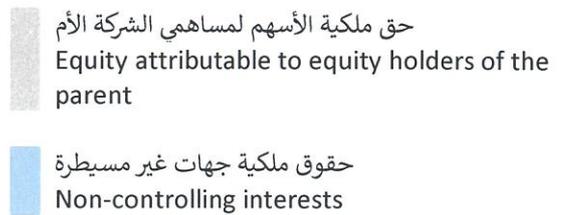
The following chart shows the distribution of equity as at the end of the first quarter 2024:



حقوق الملكية

بلغت حقوق الملكية 423 مليون دولار نهاية الربع الأول 2024 مقارنة مع 418 مليون دولار نهاية العام 2023، أي بنسبة ارتفاع 1%.

يوضح الرسم البياني التالي توزيع حقوق الملكية كما في نهاية الربع الأول 2024:



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)	1. السيد سمير حليله رئيس مجلس الإدارة - شركة فلسطين للتنمية والاستثمار المحدودة (باديكو)
Mr. Reyad Nazzal Vice Chairman - GMS Ventures and Investments Holdings	2. السيد رياض نزال نائب رئيس مجلس الإدارة - شركة جي ام اس فينشرز اند انفستمننتس القابضة
Mr. Abdul Majeed Melhem Siraj Fund Management Company	3. السيد عبد المجيد ملحم شركة سراج لإدارة صناديق الاستثمار
Mr. Salah Hidmi Palestine Development and Investment Co. Ltd (PADICO)	4. السيد صلاح هديمي شركة فلسطين للتنمية والاستثمار المحدودة (باديكو)
Mr. Seif Al Deen Sadeddin Al Maseera International Co.	5. السيد سيف الدين سعد الدين شركة المسيرة الدولية ش.م.ب.م
Mr. Jamal Barahmeh Aswaq Portfolio Investments Co. (Palestine Investment Fund)	6. السيد جمال براهيمه شركة أسواق للمحافظ الاستثمارية (صندوق الاستثمار الفلسطيني)
Mrs. Reem Alsheikh Massar International	7. السيدة ريم الشيخ شركة مسار العالمية للاستثمار م.خ
Mrs. Amal Moughrabi Palestine Development and Investment Co. Ltd (PADICO)	8. السيدة أمل مغربي شركة فلسطين للتنمية والاستثمار المحدودة (باديكو)
Mr. Ibrahim Al Natour Independent board member	9. السيد إبراهيم الناطور عضو مستقل

Executive Management

ثانياً: الإدارة التنفيذية

Mr. Kamal Ratrout Acting Chief Executive Officer	1. السيد كمال رطروط قائم بأعمال الرئيس التنفيذي
Mr. Mohammad Barghouthi Chief Financial Officer	2. السيد محمد البرغوثي رئيس الإدارة المالية

External auditor

ثالثاً: مدققي الحسابات

Ernst & Young.

شركة ارنست ويونغ.

Paid up capital

رابعاً: رأس المال المكتتب

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

Note:

Except of what was disclosed in the financial statements, no significant change or event occurred during the first three months of the year 2024 and until the date of disclosure of the financial statements other than what was disclosed in the financial statements that would influence ARKAAN's business 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.

ملاحظة:

باستثناء ما تم الإفصاح عنه في البيانات المالية وهذا التقرير، لم يطرأ أي تغيير أو حدث مهم خلال الربع الأول من العام 2024 وحتى تاريخ الإفصاح عن البيانات المالية غير ما تم الإفصاح عنه والذي من شأنه أن يؤثر على أعمال أركان أو سعر تداول السهم.

محمد البرغوثي
Mohammad Barghouthi
رئيس الإدارة المالية
Chief Financial Officer

كمال رطروط
Kamal Ratrouf
قائم بأعمال الرئيس التنفيذي
Acting Chief Executive Officer

Arkaan Real Estate P.L.C

Unaudited Interim Condensed Consolidated Financial
Statements

March 31, 2024



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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 March 31, 2024, which comprise the interim condensed consolidated statement of financial position as at March 31, 2024 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-months 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

Except as explained in the following paragraph, 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.

Basis for Qualified Conclusion.

At the end of 2023, the management calculated impairment losses against its investment properties in Gaza Strip according to its estimates based on the latest available information in light of the state of uncertainty beyond its control due to the war on Gaza Strip. As a result, we were unable to obtain sufficient audit evidence about the adequacy of the impairment losses incurred against Arkaan's investments in Gaza Strip as of December 31, 2023, and accordingly, we modified our opinion on the consolidated financial statements for the year then ended. Due to the continuation of the war on Gaza Strip during the three-months period ended March 31, 2024, we were unable to perform the required review procedures regarding the adequacy of the impairment losses recorded against Arkaan's investments in Gaza Strip as of March 31, 2024, and therefore we were unable to determine whether it was necessary to make any adjustments to the interim condensed consolidated statement of financial position as of March 31, 2024 and the interim condensed consolidated income statement for the period then ended.

Arkaan disclosed its total exposures in Gaza Strip, the related impairment losses, and the net book value of these exposures in note (20) to the accompanying interim condensed consolidated financial statements.



Qualified Conclusion

Based on our review, except for the possible adjustments to the interim condensed consolidated financial statements that we might have become aware of had it not been for the situation described above, 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 International Accounting Standard (IAS 34).

Ernst & Young - Middle East

License # 206/2012

Sa'ed Abdallah

Ernst + Young

Sa'ed Abdallah

License # 105/2003

May 14, 2024

Ramallah - Palestine

Arkaan Real Estate P.L.C

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

		31 March 2024	31 December 2023
		Unaudited	Audited
	Notes	U.S. \$ (000's)	U.S. \$ (000's)
Assets			
Non-current assets			
Property, plant, and equipment		595	645
Investment properties	4	62,222	61,070
Properties under development	5	52,003	50,227
Financial assets at fair value through other comprehensive income	6	195,848	199,828
Other non-current assets	7	76,680	69,044
		<u>387,348</u>	<u>380,814</u>
Current assets			
Accounts receivable	8	35,085	43,088
Other current assets	9	15,315	7,064
Financial assets at fair value through profit or loss	6	23,086	23,634
Cash and deposits at banks	10	15,427	18,598
		<u>88,913</u>	<u>92,384</u>
Total assets		<u>476,261</u>	<u>473,198</u>
Equity and liabilities			
Equity			
Paid-in share capital	1	131,625	131,625
Share premium	1	253,461	253,461
Statutory reserve	11	726	726
Fair value reserve	6	6,366	10,664
Retained earnings (accumulated losses)		6,941	(1,633)
Equity attributable to equity holders of the parent		399,119	394,843
Non-controlling interests		23,692	23,500
Total equity		<u>422,811</u>	<u>418,343</u>
Non-current liabilities			
Credit facilities and long-term loans		1,829	1,441
Long-term unearned revenues		15,175	15,175
Deferred tax liabilities		3,761	3,761
Provision for employees' indemnity		326	337
Other non-current liabilities		1,131	1,169
		<u>22,222</u>	<u>21,883</u>
Current liabilities			
Accounts payable		2,173	1,637
Credit facilities and short-term loans		3,480	2,576
Short-term unearned revenues		20,786	23,452
Other current liabilities		4,789	5,307
		<u>31,228</u>	<u>32,972</u>
Total liabilities		<u>53,450</u>	<u>54,855</u>
Total equity and liabilities		<u>476,261</u>	<u>473,198</u>

The attached notes from 1 to 20 are part of these interim condensed consolidated financial statements

Arkaan Real Estate P.L.C

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the three-months period ended 31 March 2024

	Notes	For the three-months period ended 31 March	
		2024	2023
		Unaudited U.S. \$ (000's)	Unaudited U.S. \$ (000's)
Revenues from sale of land and development rights	14	2,667	1,286
Cost of land and development rights	14	(1,111)	(1,158)
Profits from real estate activities		1,556	128
ARKAAN's share of associate's results		-	732
(Losses) Gains from valuation of financial assets at fair value through profit or loss		(627)	50
Dividends income from financial assets		8,463	7,052
Profits from investment activities		7,836	7,834
Interest revenues		728	1,339
Operating and administrative expenses		(581)	(658)
Operating profit		9,539	8,643
Expected credit loss provision	8	(350)	-
Other expenses, net		(118)	(83)
Profit for the period before income tax		9,071	8,560
Income tax expense	13	(305)	(170)
Profit for the period		8,766	8,390
Attributable to:			
Shareholders of the parent		8,574	8,180
Non-controlling interests		192	210
		8,766	8,390
Basic and diluted earnings per share for the period		0.065	0.062

The attached notes from 1 to 20 are part of these interim condensed consolidated financial statements

Arkaan Real Estate P.L.C

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three-month period ended 31 March 2024

	Notes	For the three-months period ended 31 March	
		2024	2023
		Unaudited U.S. \$ (000's)	Unaudited U.S. \$ (000's)
Profit for the period		8,766	8,390
Other Comprehensive Income items:			
Items that will not be reclassified to the consolidated income statement in subsequent periods:			
(Losses) Gains from valuation of financial assets at fair value through other comprehensive income	6	(4,298)	2,308
ARKAAN's share of associate's other comprehensive income items		-	83
Total other comprehensive income for the period		(4,298)	2,391
Net comprehensive income for the period		4,468	10,781
Attributable to:			
Shareholders of the parent		4,276	10,571
Non-controlling interests		192	210
		4,468	10,781

The attached notes from 1 to 20 are part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2024

	Equity attributable to equity holders of the parent							
	Paid-in share capital	Share premium	Statutory reserve	Fair value reserve	(Accumulat ed losses) Retained earnings	Total	Non- controlling interests	Total equity
	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
31 March 2024								
Balance as at 1 January 2024	131,625	253,461	726	10,664	(1,633)	394,843	23,500	418,343
Profit for the period	-	-	-	-	8,574	8,574	192	8,766
Other comprehensive income items	-	-	-	(4,298)	-	(4,298)	-	(4,298)
Net comprehensive income for the period	-	-	-	(4,298)	8,574	4,276	192	4,468
Balance as at 31 March 2024 (Unaudited)	<u>131,625</u>	<u>253,461</u>	<u>726</u>	<u>6,366</u>	<u>6,941</u>	<u>399,119</u>	<u>23,692</u>	<u>422,811</u>
	Equity attributable to equity holders of the parent							
	Paid-in share capital	Share premium	Statutory reserve	Fair value reserve	Retained earnings	Total	Non- controlling interests	Total equity
	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
31 March 2023								
Balance as at 1 January 2023	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 12)	-	-	-	-	-	-	(3,526)	(3,526)
Balance as at 30 March 2023 (Unaudited)	<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 20 are part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2024

	Note	For the three months period ended 31 March	
		2024	2023
		Unaudited U.S. \$ (000's)	Unaudited U.S. \$ (000's)
Operating Activities			
Profit for the period before income tax		9,071	8,560
Adjustments:			
Depreciation and amortization		50	40
Losses (Profits) from valuation and sale of investment		627	(50)
ARKAAN's share of associate's results		-	(732)
Interest revenues		(728)	(1,339)
Distributed cash dividends from financial assets		(8,463)	(7,052)
Provision for employees' indemnity		59	31
Land settlement provision		-	99
Provision for expected credit losses		350	-
Other non-cash items		187	318
		<u>1,153</u>	<u>(125)</u>
Working capital adjustments:			
Accounts receivable		17	(331)
Other current assets		387	755
Accounts payable		536	(331)
Properties under development		764	268
Unearned revenues		(2,666)	2,034
Other current liabilities		(728)	(1,265)
Other non-current liabilities		(38)	(9)
Income tax paid		(51)	(3,417)
Payments of end of service		(70)	-
Net cash flows used in operating activities		<u>(696)</u>	<u>(2,421)</u>
Investing Activities			
Investment in an associate		-	(577)
Purchase of financial assets		(397)	-
Purchase of investments properties		(1,152)	(258)
Properties under development		(2,540)	(803)
Change in deposits in banks maturing after 3 months		(34)	-
Purchase of property, plant, and equipment		-	(3)
Received Interest revenues		322	1,257
Net cash flows used in investing activities		<u>(3,801)</u>	<u>(384)</u>
Financing activities			
Dividends paid to non-controlling interests		-	(1,763)
Payments of long-term loans		1,172	-
Cash flows from (used in) financing activities		<u>1,172</u>	<u>(1,763)</u>
Decrease in cash and cash equivalents		(3,325)	(4,568)
Cash and cash equivalents, beginning of the period		5,433	13,027
Cash and cash equivalents, end of the period	10	<u>2,108</u>	<u>8,459</u>

The attached notes from 1 to 20 are part of these interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at 31 March 2024

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.

ARKAAN's issued and paid-in capital comprises 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 share premium 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 2024, were authorized for issuance in accordance with a resolution of the Board of Directors on 14 May 2024.

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 2024.

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

	Nature of business	Ownership Percentage		Capital (U.S. \$)	
		%		2024	
		2024	2023	Subscribed	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 period of the subsidiaries is the same as the financial period of ARKAAN, and 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 2024 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 2023. The results for the three-month period ended 31 March 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

Accounting policies

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2023, except that ARKAAN has implemented the following amendments as of 1 January 2024:

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

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

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

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

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

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

4. Investment properties

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

	31 March 2024	31 December 2023
	<u>U.S. \$ (000's)</u>	<u>U.S. \$ (000's)</u>
Balance, beginning of the period/ year	61,070	69,388
Additions	1,152	3,989
Investments properties sold	-	(80)
Impairment losses of investments**	-	(9,200)
Provision for land settlement	-	(3,027)
Balance, end of the period/ year	<u>62,222</u>	<u>61,070</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 lands.

** As a result of the ongoing aggression on Gaza Strip (Note 20), during the year 2023, ARKAAN recorded a provision of U.S. \$7 million on the investments properties it owns in Gaza Strip, according to management's estimates of the impact of the aggression on the value of these investments properties.

The movement on provision for land settlement was as follows:

	31 March 2024	31 December 2023
	<u>U.S. \$ (000's)</u>	<u>U.S. \$ (000's)</u>
Balance, beginning of the period/year	3,168	141
Additions	-	3,027
Balance, end of the period/year	<u>3,168</u>	<u>3,168</u>

5. Properties under development

The movement on properties under development was as follows:

	31 March 2024	31 December 2023
	<u>U.S. \$ (000's)</u>	<u>U.S. \$ (000's)</u>
Balance, beginning of the period/year	50,227	43,638
Additions	2,540	12,116
Cost of properties under development sold	(764)	(5,527)
Balance, end of the period/year	<u>52,003</u>	<u>50,227</u>

Properties under development includes the following as at 31 March 2024:

	31 March 2024	31 December 2023
	<u>U.S. \$ (000's)</u>	<u>U.S. \$ (000's)</u>
Lands	79,691	79,691
Land processing costs, road network and infrastructure work	37,317	34,942
Studies and consultations	5,058	4,985
Finance costs	853	776
Others	430	416
	<u>123,349</u>	<u>120,810</u>
Sold properties under development	<u>(71,346)</u>	<u>(70,583)</u>
	<u>52,003</u>	<u>50,227</u>

6. 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 2024	31 December 2023
	U.S. \$ (000's)	U.S. \$ (000's)
Quoted shares in regional financial markets	162,446	163,694
Quoted shares in local financial markets	31,524	34,256
Un-Quoted shares in financial markets	1,878	1,878
	<u>195,848</u>	<u>199,828</u>

Movement on Financial assets at fair value through other comprehensive income account was as follows:

	31 March 2024	31 December 2023
	U.S. \$ (000's)	U.S. \$ (000's)
Balance, beginning of the period/ year	199,828	153,265
Additions	318	390
Transferred from investments in associate	-	35,431
Change in fair value	(4,298)	10,742
Balance, end of the period/ year	<u>195,848</u>	<u>199,828</u>

Movement on the fair value reserve was as follows:

	31 March 2024	31 December 2023
	U.S. \$ (000's)	U.S. \$ (000's)
Balance, beginning of the period/ year	10,664	(14)
(Losses) Gains from valuation of financial assets at fair value through other comprehensive income	(4,298)	10,742
ARKAAN's share of associate's other comprehensive income	-	(107)
Reclassification of the investment in associate	-	43
Balance, end of the period/ year	<u>6,366</u>	<u>10,664</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 2024	31 December 2023
	U.S. \$ (000's)	U.S. \$ (000's)
Quoted shares in regional financial markets	22,922	23,547
Quoted shares in local financial markets	164	87
	<u>23,086</u>	<u>23,634</u>

7. Other non-current assets

	31 March 2024	31 December 2023
	U.S. \$ (000's)	U.S. \$ (000's)
Long-term receivables (Note 8)	58,140	50,504
Due from Palestinian Telecommunications Company (PALTEL)*	18,540	18,540
	<u>76,680</u>	<u>69,044</u>

* ARKAAN has signed during 2023 a settlement agreement for the amount due from the Palestinian Telecommunications Company (PALTEL) amounting to \$18.5 million. The amount will be repaid in one installment on June 30, 2025, with cumulative interest at a fixed rate of 5.50% accruing annually on this amount.

8. Accounts receivable

	31 March 2024	31 December 2023
	U.S. \$ (000's)	U.S. \$ (000's)
Trade receivables	485	2,157
Checks under collection	107,606	105,951
	108,091	108,108
Provision for expected credit losses*	(14,866)	(14,516)
	93,225	93,592
Short-term accounts receivable	35,085	43,088
Long-term accounts receivable	58,140	50,504

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

	31 March 2024	31 December 2023
	U.S. \$ (000's)	U.S. \$ (000's)
Balance, beginning of the period/ year	14,516	1,224
Additions during the period/ year	350	13,292
Balance, end of the period/ year	<u>14,866</u>	<u>14,516</u>

9. Other current assets

	31 March 2024	31 December 2023
	U.S. \$ (000's)	U.S. \$ (000's)
Dividends payable	8,463	-
Advances to suppliers	2,344	2,877
Due from Value Added Tax department	1,854	1,567
Accrued interest revenues	1,525	1,119
Income tax advances (Note 13)	648	930
Loan for Al-Mashtal company	187	187
Due from related parties	55	56
Others	426	515
	15,502	7,251
Expected credit loss provision	(187)	(187)
	<u>15,315</u>	<u>7,064</u>

10. Cash and deposits at banks

	31 March 2024	31 December 2023
	<u>U.S. \$ (000's)</u>	<u>U.S. \$ (000's)</u>
Cash in hand and cash at banks	1,523	3,218
Deposits in banks maturing within 3 months*	2,600	4,110
Deposits in banks maturing in more than 3 months**	<u>11,304</u>	<u>11,270</u>
	<u><u>15,427</u></u>	<u><u>18,598</u></u>

* Time deposits represent amounts due within a three-month period from their respective inception dates. The average interest rate on these deposits is 4.28% during the period.

** Time deposits represent amounts due in more than three-month period from their respective inception dates. The average interest rate on these deposits is 5.2% during the period.

For the purpose of the interim condensed consolidated statement of cash flow, cash and cash equivalent comprise the following:

	31 March 2024	31 December 2023
	<u>U.S. \$ (000's)</u>	<u>U.S. \$ (000's)</u>
Cash in hand and current accounts at banks	15,427	18,598
Deposits in banks maturing in more than 3 months	(11,304)	(11,270)
Overdraft account	(2,010)	(1,890)
Restricted cash	<u>(5)</u>	<u>(5)</u>
Cash and cash equivalent	<u><u>2,108</u></u>	<u><u>5,433</u></u>

11. Statutory reserve

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

12. 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 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.

13. Provision for income tax

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

	31 March 2024	31 December 2023
	U.S. \$ (000's)	U.S. \$ (000's)
Balance, beginning of the period/ year	(930)	1,779
Additions	309	1,982
Discounts on advance payments	(4)	-
Payments of income tax	(51)	(4,614)
Currency difference	28	(77)
Net advances recorded in other current assets (Note 8)	648	930
Balance, end of the period/ year	-	-

As of the date of these interim condensed consolidated financial statements, Jericho Gate for Real Estate Investment Company (a subsidiary) and ARKAAN, have not reached a final settlement with the Income Tax Department for the results of its operations for the year 2023. In addition, Jerusal (a subsidiary) has not reached a final settlement with the Income Tax Department for the results of its operations for the years from 2021 till 2023.

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

	For the period ended 31 March 2024	For the period ended 31 March 2023
	U.S. \$ (000's)	U.S. \$ (000's)
Income tax expense for the period	309	233
Discounts on advance payments	(4)	-
Amortization of deferred tax liabilities	-	(63)
	305	170

14. 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:

	For the period ended 31 March 2024		
	U.S. \$ (000's)		
	Sales revenue	Cost of sales	Gross Profit
	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
Housing	2,636	(1,099)	1,537
Commercial	17	(5)	12
Mixed use	14	(7)	7
	2,667	(1,111)	1,556

	For the period ended 31 March 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	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.

Following are the details of revenues from contracts with customers:

According to the revenue recognition time:

	For the period ended 31 March 2024	For the period ended 31 March 2023
	U.S. \$ (000's)	U.S. \$ (000's)
At a specific point of time	-	764
Over a period of time	2,667	522
	<u>2,667</u>	<u>1,286</u>

15. 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 2024 and 31 December 2023:

	31 March 2024	31 December 2023
Nature of relationship	U.S. \$ (000's)	U.S. \$ (000's)
Other current assets	18,540	18,540
Other current assets	55	56
Accounts payable	64	50
Accrued interest	1,278	1,020

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

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

		For the period ended 31 March 2024	For the period ended 31 March 2023
	Nature of relationship	U.S. \$ (000's)	U.S. \$ (000's)
Interest on deposit	Associate	-	15
Key management's share of salaries and related benefits		94	108
Key management's share of employees' indemnity expense		6	9
Board of Directors' compensation and expenses		33	7

16. 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 31 March 2024:

	Fair Value Measurement using		
	Trading Prices in active market (The first level)	Observable data (The second level)	Unobservable data (The third level)
Total	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
<u>Assets measured at fair value:</u>			
Financial assets at fair value through other comprehensive income items:			
Quoted	195,848	195,848	-
Unquoted	1,878	-	1,878
Financial assets at fair value through profit or loss – Quoted	23,086	23,086	-

The following table shows the fair value measurement hierarchy of financial assets as at 31 December 2023:

	Fair Value Measurement using			
	Total	Trading Prices	Observable	Unobservable
		in active	data	data
		market	(The second	(The third
(The first	level)	level)	level)	
U.S. \$	U.S. \$	U.S. \$	U.S. \$	
(000's)	(000's)	(000's)	(000's)	
Assets measured at fair value:				
Financial assets at fair value through other comprehensive income items:				
Quoted	197,950	197,950	-	-
Unquoted	1,878	-	-	1,878
Financial assets at fair value through profit or loss - Quoted	23,634	23,634	-	-

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 financial statements:

	Carrying amount		Fair Value	
	31 March	31 December	31 March	31 December
	2024	2023	2024	2023
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	195,848	199,828	195,848	199,828
Financial assets at fair value through profit or loss	23,086	23,634	23,086	23,634
Accounts receivable	93,225	93,592	93,225	93,592
Other financial assets	30,862	21,798	30,862	21,798
Cash and deposits at banks	15,427	18,598	15,427	18,598
	<u>358,448</u>	<u>357,450</u>	<u>358,448</u>	<u>357,450</u>
Financial Liabilities				
Accounts payable	2,173	1,637	2,173	1,637
Lease liabilities	234	240	234	240
Long-term loans and credit facilities	5,309	4,017	5,309	4,017
Other financial liabilities	<u>2,535</u>	<u>3,237</u>	<u>2,535</u>	<u>3,237</u>
	<u>10,251</u>	<u>9,131</u>	<u>10,251</u>	<u>9,131</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, long-term accounts receivable, credit facilities and long-term loans 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.

17. 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 2024	31 December 2023
	U.S. \$ (000's)	U.S. \$ (000's)
Unpaid portion of the contractual contracts	34,706	37,433
Unpaid portion of the consultation contracts	479	569
	<u>35,185</u>	<u>38,002</u>

18. 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 2024.

31 March 2024	Real estate development	Financial investment	Eliminations	Total
	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
<u>Revenues</u>				
Revenues from external parties	2,667	-	-	2,667
Cash dividends income from financial investments	-	8,463	-	8,463
Losses from financial assets at fair value through profit or loss	-	(627)	-	(627)
Segment revenues	<u>2,667</u>	<u>7,836</u>	<u>-</u>	<u>10,503</u>
<u>Results of operations</u>				
Segment's profit before tax	<u>1,106</u>	<u>7,965</u>	<u>-</u>	<u>9,071</u>
<u>Other information</u>				
Cost of land and sold development rights	<u>(1,111)</u>	<u>-</u>	<u>-</u>	<u>(1,111)</u>
Capital expenditures	<u>(3,692)</u>	<u>-</u>	<u>-</u>	<u>(3,692)</u>
Interest revenues	<u>269</u>	<u>459</u>	<u>-</u>	<u>728</u>

The following table represents the assets and liabilities of ARKAAN's business segments as at 31 March 2024 and 31 December 2023:

	Real estate development	Financial investment	Eliminations	Total
	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
<u>31 March 2024</u>				
Segments' assets	199,822	605,402	(328,963)	476,261
Segments' liabilities	60,993	787	(8,330)	53,450
	Real estate development	Financial investment	Eliminations	Total
	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
<u>31 December 2023</u>				
Segments' assets	192,437	600,781	(320,020)	473,198
Segments' liabilities	62,187	389	(7,721)	54,855

19. 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.

20. The aggression on Gaza Strip

The Israeli aggression on Gaza Strip resulted in the destruction of numerous economic facilities in Gaza Strip. Additionally, many properties and assets suffered partial or complete destruction. Various business sectors in the West Bank were also affected due to restrictions, closures between cities, and frequent closures of external crossings.

ARKAAN's management believes that this event had an impact on the company's operating activities, investments, revenues, business results, and some of its assets, as follows:

- The total value of ARKAAN's exposures in Gaza Strip as of 31 March 2024 amounted to U.S. \$27 million, while the impairment losses recorded by management against these investments amounted to U.S. \$7 million, bringing the net book value to U.S. \$20 million.
- The impact on macroeconomic factors used to measure expected credit losses and an increased likelihood of defaults.
- Decrease in realized revenues during the period due to ARKAAN and its subsidiaries' inability to conduct their activities normally, especially revenues from the sale of lands and development rights related to Jericho Gate Company (a subsidiary).
- Decline in closing prices for local stocks on the Palestine Stock Exchange during the period. Which led to recording losses in the statement of interim condensed consolidated comprehensive income for financial assets at fair value through OCI as a result of the revaluation of these assets.

The aggression is still ongoing on Gaza Strip, and the impacts of the current situation remain unclear, relying on future developments that cannot be accurately predicted at this time. The company continues to monitor and analyze the situation continuously, evaluating the impact of future developments on the company's future financial results and cash flows. Furthermore, the management believes that there are no significant doubts about ARKAAN's ability to continue its operations in the future.