Arkaan Real Estate P.L.C

Consolidated Financial Statements

31 December 2022

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

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

Building a better working world

Independent auditor's report
To the Shareholders of Arkaan Real Estate P.L.C

Opinion

We have audited the consolidated financial statements of Arkaan Real Estate P.L.C and its subsidiaries (ARKAAN), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period since inception on February 21, 2022 until December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of ARKAAN as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the period since inception on February 21, 2022 until December 31, 2022 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of ARKAAN in accordance with the International Code of ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code, in addition to other ethical responsibilities in compliance with the audit of financial statements in Palestine. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Building a better
working world

Key audit matter	How our audit addressed the key audit matter
Revenues from sale of land and development rights and cost of sold land and development rights ARKAAN recognised U.S. $ 26.2 million of revenues from sale of land and development rights, and U.S. $ 17 million of cost of sold land and development rights for the period from June 30, 2022, till December 31, 2022. Revenue from sale of development rights is recognised on a percentage of completion basis as construction progresses. The percentage of completion is assessed by reference to the stage of completion of the project based on the proportion of contract costs incurred and the estimated costs to complete. The determination of the cost to complete impacts the value and timing of revenue and profit recognised over the life of the project, and it is an estimate that requires significant expertise and judgment including the allocation of transaction price among performance obligations. Revenues from sale of land and development rights recognised in the period is disclosed in the consolidated income statement and in the segment information in Note (32) of the consolidated financial statements. Cost of sold land and development rights are brought to account on an accruals basis and are disclosed in the consolidated income statement and the segment information in Note (32) of the consolidated financial statements. Note (5,3) of the consolidated financial statements discloses the accounting policy for recognition of such amounts.	We evaluated ARKAAN's processes and assessed the design and operating effectiveness of key controls for cost of sold land and development rights and for estimating costs to complete of major properties under development. We evaluated the history of budget and forecasting accuracy associated with cost of sold land and development rights and estimating costs to complete. We tested the allocation of transaction price among performance obligations for sale of land and development rights. We assessed project costs to date, estimates of revenue and costs to complete. We inspected engineering reports prepared by the external engineering firms overseeing the project to assess the assumptions used in determining the percentage of completion. We have tested a sample of supporting documents for incurred projects costs, including testing whether they were allocated to the appropriate project. We also evaluated subsequent payments made after the reporting date to assess whether costs were accrued in the correct reporting period. We assessed the calculation of revenue recognised in the period by ARKAAN against the recognition criteria set out in IFRS (15) and assessed the adequacy of the disclosures to the consolidated financial statements to ensure compliance with IFRS (15).

Other information included in ARKAAN's 2022 Annual Report

Other information consists of the information included in ARKAAN's 2022 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. ARKAAN's 2022 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing ARKAAN's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate ARKAAN or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing ARKAAN's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ARKAAN's internal control.

Building a better working world

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ARKAAN's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause ARKAAN to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within ARKAAN to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements as at December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young - Middle East
License # 206/2012

Abdelkarim M.

Ernst + Young

Abdelkarim Mahmoud
License # 101/2017

Ramallah - Palestine
March 28, 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	2022 U.S. $ (000's)
Assets		
Non-current assets		
Property, plant, and equipment	6	728
Investment properties	7	69,388
Properties under development	8	43,638
Investment in an associate	9	33,753
Financial assets at fair value through other comprehensive income	10	153,265
Long-term receivables	11	64,910
		365,682
Current assets		
Accounts receivable	11	39,233
Other current assets	12	21,626
Financial assets at fair value through profit or loss	10	24,838
Cash and deposits at banks	13	26,632
		112,329
Total assets		478,011
Equity and liabilities		
Equity		
Paid-in share capital	1	131,625
Additional paid-in capital	1	253,461
Statutory reserve	14	726
Fair value reserve	10	(14)
Retained earnings		6,531
Equity attributable to equity holders of the parent		392,329
Non-controlling interests	4	28,890
Total equity		421,219
Non-current liabilities		
Long-term unearned revenues	16	17,651
Deferred tax liability	17	3,996
Other non-current liabilities	18	1,467
		23,114
Current liabilities		
Accounts payable	19	1,922
Short-term unearned revenues	16	21,458
Provision for income tax	21	1,779
Other current liabilities	22	8,519
		33,678
Total liabilities		56,792
Total equity and liabilities		478,011

CONSOLIDATED INCOME STATEMENT

For the period since inception on 21 February 2022 until 31 December 2022

	Notes	For the period since inception on 21 February 2022 until 31 December 2022 U.S. $ (000's)
Revenues from sale of land and development rights	23	26,218
Cost of land and development rights	23	(17,029)
Profit from real estate activities		9,189
ARKAAN's share of associate's results	9	1,971
Profit from valuation of financial assets at fair value through profit or loss		252
Profit from investment activities		2,223
Interest revenues	24	2,224
Operating and administrative expenses	25	(1,791)
Operating profit		11,845
Other revenues and expenses, net	26	(1,360)
Profit for the period before income tax		10,485
Income tax expense	21	(1,178)
Profit for the period		9,307
Attributable to:		
Shareholders of the parent		7,257
Non-controlling interest	4	2,050
		9,307
Basic and diluted earnings per share	27	0.055

The attached notes from 1 to 34 are part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period since inception on 21 February 2022 until 31 December 2022

	Notes	For the period since inception on 21 February 2022 until 31 December 2022 U.S. $ (000's)
Profit for the Period		9,307
Other Comprehensive Income items:		
Items that will not be reclassified to the consolidated income statement in subsequent periods:		
Losses from valuation of financial assets at fair value through other comprehensive income	10	(78)
ARKAAN's share of associate's other comprehensive income	9	64
Total other comprehensive income for the period		(14)
Net comprehensive income for the period		9,293
Attributable to:		
Shareholders of the parent		7,243
Non-controlling interest		2,050
		9,293

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period since inception on 21 February 2022 until 31 December 2022

	Equity attributable to equity holders of the parent							
	Paid-in share capital	Additional paid-in capital	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)
Balance as at 21 February 2022	-	-	-	-	-	-	-	-
Paid-in share capital (Note 1)	131,625	-	-	-	-	131,625	-	131,625
Additional paid-in capital (Note 1)	-	253,461	-	-	-	253,461	-	253,461
Non-controlling interests transferred from PALTEL (Note 5)	-	-	-	-	-	-	29,661	29,661
	131,625	253,461	-	-	-	385,086	29,661	414,747
Profit for the period	-	-	-	-	7,257	7,257	2,050	9,307
Other comprehensive income items	-	-	-	(14)	-	(14)	-	(14)
Net comprehensive income for the period	-	-	-	(14)	7,257	7,243	2,050	9,293
Transfer to statutory reserve	-	-	726	-	(726)	-	-	-
Distributed cash dividends from a subsidiary (Note 15)	-	-	-	-	-	-	(2,821)	(2,821)
Balance as at 31 December 2022	131,625	253,461	726	(14)	6,531	392,329	28,890	421,219

The attached notes from 1 to 34 are part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
For the period since inception on 21 February 2022 until 31 December 2022

	Notes	For the period since inception on 21 February 2022 until 31 December 2022 U.S. $ (000's)
Operating Activities		
Profit for the period before income tax		10,485
Adjustments:		
Depreciation and amortization		82
Expected credit loss provision		844
Impairment losses on investment properties' value		362
Provision for land settlement		141
Profit from valuation of financial assets at fair value through profit or loss		(252)
ARKAAN's share of associate's results		(1,971)
Interest revenues		(2,224)
Provision for employees' indemnity		38
Finance Cost		16
Other non-cash items		5,768
		13,289
Working capital adjustments:		
Accounts receivable		(16,898)
Other current assets		1,444
Accounts payable		751
Properties under development		9,166
Unearned revenues		16,170
Other current liabilities		732
Other non-current liabilities		13
Income tax paid		(669)
Restricted cash		(5)
Net cash flows from operating activities		23,993
Investing Activities		
Cash flow from assets transfer from PALTEL		11,736
Investment in an associate		(1,529)
Purchase of Investment properties		(1,642)
Properties under development		(3,834)
Purchase of property, plant, and equipment		(29)
Investment in financial securities		(300)
Interest revenues received		2,147
Deposits in banks maturing after 3 months		(13,600)
Net cash flows used in investing activities		(7,051)
Financing activities		
Dividends paid to non-controlling interests		(2,821)
Payments of long-term loan		(1,078)
Finance costs paid		(16)
Cash flows used in financing activities		(3,915)
Increase in cash and cash equivalents		13,027
Cash and cash equivalents, beginning of the period		-
Cash and cash equivalents, end of the period	13	13,027

The attached notes from 1 to 34 are part of these consolidated financial statements

1. Corporate Information

Asas Al-Ard for Investment and real estate development Co. was incorporated in Ramallah, Palestine on February 21, 2022, and registered with the Ministry of National Economy as a private limited shareholding company under registration no. (562764050). On May 17, 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 03 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. $ 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 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 March 26, 2023.

2. Consolidated Financial Statements

The consolidated financial statements comprise the financial statements of ARKAAN Real Estate P.L.C and its subsidiaries (ARKAAN) as at 31 December 2022.

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

		Ownership percentage	Capital (U.S. $)	
		%	2022	
	Nature of business	2022	Issued	Paid
Jericho gate for real estate investment	Real estate investment	75	49,365,000	49,365,000
Jerusal for real estate investment	Real estate investment	100	141,044	141,044
Arcadia W.L.L	Financial investment	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 and accounting policies

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements of ARKAAN have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared under the historical cost basis, except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income that have been measured at fair value at the date of the consolidated financial statements.

The 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).

These consolidated financial statements represent the first audited and issued financial statements by an independent auditor for the period since inception on 21 February 2022 until 31 December 2022. Accordingly, the comparative figures are not presented as ARKAAN was incorporated during the period.

3.2 Basis of consolidation of financial statements

The consolidated financial statements comprise of the financial statements of ARKAAN and its subsidiaries as of 31 December 2022.

Control is achieved when ARKAAN controls an investee if, and only if, it has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this resumption and when ARKAAN has less than a majority of the voting or similar rights of an investee, the ARKAAN considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- ARKAAN's voting rights and potential voting rights

ARKAAN re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when ARKAAN obtains control over the subsidiary and ceases when ARKAAN loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date ARKAAN gains control until the date ARKAAN ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of ARKAAN and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-Group balances, transactions, unrealized gains and losses resulting from relating party transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the ARKAAN loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest while any resultant gain or loss is recognized in the consolidated income statement. Any investment retained is recognized at fair value.

3.3 Standards and amendments issued but not yet effective

The International Accounting Standards Committee has issued some standards and amendments, which are still not effective and have not yet been adopted by ARKAAN. The international financial standards and amendments issued and not yet effective until the date of the consolidated financial statements shown below, and ARKAAN will apply these standards and amendments starting from the date of mandatory application:

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

In January 2020, 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,
- 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.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. ARKAAN is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

The amendments are not expected to have a material impact on ARKAAN's consolidated financial statements.

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.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on ARKAAN's 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.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

ARKAAN is currently assessing the impact of the amendments to determine the impact they will have on ARKAAN's accounting policy disclosures.

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 to transactions that give rise 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 recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

ARKAAN is currently assessing the impact of the amendments to determine the impact they will have on ARKAAN's accounting policy disclosures.

3.4 Significant accounting judgments, estimates and assumptions

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

Other notes that indicate the degree of risk that ARKAAN faces, are the following notes:

- Risk management (note 30)
- Capital management (note 33)

The key areas involving a higher degree of judgment or complexity done by ARKAAN are described below:

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCL model. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected cash flows used, and the growth rate used for calculation purposes.

Useful lives of tangible assets

ARKAAN's management reassesses the useful lives of tangible assets, and adjusts it, if applicable, at each financial year end.

Properties under development and investment properties

Management relies on certified appraisers to determine the fair value of the properties under development and investment properties.

Provision for impairment of financial assets at amortized cost (provision for expected credit losses)

When determining the provision for expected credit losses of financial assets, ARKAAN's management uses certain estimates to determine the amounts and timing of future cash flows and also assesses whether the credit risk on the financial asset has increased substantially since initial recognition and includes future information in the measurement of expected credit losses. Financial assets are assessed for impairment on the basis described in the "Impairment of financial assets" section.

Provision for income tax

ARKAAN uses certain estimates in determining the provision for income tax based on prevailing tax laws and regulations in Palestine and accounting standards. The value of these provisions is based on various factors such as previous tax audits and differing interpretations of tax laws by the subsidiaries and the tax authorities.

Long- term receivables fair value adjustments

Specific estimates and assumptions are used to determine and to discount the expected cash flows in settlement of long-term receivables.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using appropriate valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the consolidated financial statements. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Classification of financial assets

ARKAAN's management uses certain estimates to determine the business model for ARKAAN, in order to classify debt instruments and to determine the instrument contractual cash flows, which represents solely payment of principal and interest on the principle amount outstanding.

Provision for employee's benefits

ARKAAN's management uses certain judgements in determining employees' benefits provision. ARKAAN's management believes that the judgements and assumptions used are reasonable and in accordance with the labor law prevailing in Palestine and ARKAAN personnel system.

Provision for litigation

ARKAAN's management provides, based on its legal consultants' opinions, provisions against any litigations.

Transfer of real estate assets & investment portfolio from PALTEL

The management considers that the transfer of real estate assets and investment portfolio from Palestine Telecommunications Company (PALTEL) is a transaction subject to common control, due to the fact that the management considers that the group of shareholders that owns a substantial shareholding in both PALTEL and ARKAAN, controls both companies, due to the contractual arrangements between them to collectively control the financial and operational policies of both companies to obtain benefits from their activities, and the management considers that the influence resulting from this control is not transitory.

Judgements related to revenues from contacts with customers

Contracts signed with developers include the sale of lands and related infrastructure services. ARKAAN has concluded that it has two separate obligations, selling lands to developers and providing them with infrastructure services related to these lands. Therefore, the sale amount is distributed between the land and related infrastructure services.

Determining the lease term for contracts with renewal and termination option

ARKAAN defines the lease term as the irrevocable lease period, along with any periods covered by an option to extend the lease if it is reasonably certain that it will be practiced, or any periods covered by the option to terminate the lease, if it is reasonably certain not to exercise it.

Cash flow discount rates

ARKAAN uses the average borrowing rate for its subsidiaries and the additional borrowing rate for the purpose of discounting future cash flows, and adjust it, if needed, at each financial year end.

3.5 Summary of significant accounting policies:

Revenue from contracts with customers

Revenues from contracts with customers are recognized as follows:

Lands sale and developments right revenues

The signed contracts include two separate liabilities, that when they sale lands to the developer, in addition to providing them with this lands infrastructure services, so the received amount will distributed between the land and its infrastructure services, the proceeds from lands sale are recognized as sold at a certain point in time at which time the control over the sold property is transferred to the customer, the development rights recognized over a period of time, based on the percentage of completion at each reporting date for the consolidated financial statement.

Other Revenues

Interest income

Interest revenues are recognized using the effective interest method, under which the rate used discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends

Gains or losses on trading of investments in financial assets are recognized when the trading process is completed. Dividend income is recognized when the shareholders right to receive the dividends is established.

Services revenue

Service revenues are recognized over a period of time by referring to the percentage of completion of services provided at the date of the consolidated financial statements.

Expenses recognition

Expenses are recognized based on the accrual basis of accounting

Unearned Revenue

ARKAAN records the amounts received in advance on account of the sale of properties under development as unearned revenue. These unearned revenues are recognized in the consolidated statement of income when the revenue is realised.

Finance costs

Finance costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other finance costs are charged to the consolidated income statement in the period they occur. Finance costs consist of interest and other costs that ARKAAN incurs in connection with the borrowing of funds.

Current versus non-current classification

ARKAAN presents assets and liabilities in the consolidated statement of financial position based on current or non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycles,
- Held primarily for the purpose of trading,

- Expected to be realised within twelve months after the reporting period,
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period,

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycles,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period,

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Income tax

ARKAAN provides for income tax in accordance with the Palestinian Income Tax Law (or in accordance with the applicable tax regulations where the entity operates and generates taxable income) and IAS (12), which requires recognising the temporarily differences at the reporting date of the consolidated financial statements as deferred taxes.

Deferred taxes are provided on temporary differences at the consolidated statement of financial position between the tax bases of assets and the liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. Income tax expense represents the accrued income tax which is calculated based on ARKAAN's subsidiaries taxable income. Taxable income may differ from accounting income as the later includes non-taxable income or non-deductible expenses. Such income or expenses may be taxable or deductible in the following years.

ARKAAN offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value measurement

ARKAAN measures almost all of its financial instruments at fair value at each reporting date. ARKAAN also discloses the fair value of financial assets at amortized cost in the notes to the consolidated financial statements, which include:

- Quantitative disclosures of fair value measurement hierarchy (note 28)
- Financial assets (note 10)
- Investment properties (note 7)
- Properties under development (note 8)

Fair value is the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or settle the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by ARKAAN.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

ARKAAN uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows:

- Level 1 — Quoted (unadjusted) market prices in active markets.
- Level 2 — Valuation techniques for which the lowest level of inputs that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level of inputs that is significant to the fair value measurement is unobservable.

External certified appraisers are involved for valuation of significant assets such as properties under development and investment properties. ARKAAN decides, after discussions with the external certified appraisers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, ARKAAN has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognized in the consolidated income statement as incurred.

This item includes right-of-use assets which ARKAAN classified as property, plant and equipment given the similarity of the nature of these right-of-use assets to the nature of property, plant and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Useful lives (years)
Offices and building leasehold improvements	4 – 35
Machinery and equipment	4 – 5
Furniture and decoration	4- 10
Wells	10

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Right-of-use assets

ARKAAN recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follows:

	Useful lives (years)
Cars	3
Buildings	5

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless ARKAAN is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, ARKAAN recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by ARKAAN and payments of penalties for terminating a lease, if the lease term reflects ARKAAN exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, ARKAAN uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

ARKAAN applies the short-term lease recognition exemption to some of its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

ARKAAN determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. ARKAAN has the option, under some of its leases to lease the assets for additional terms. ARKAAN applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

Investments in an associate

ARKAAN's investment in its associate is accounted for using the equity method. An associate is an entity in which ARKAAN has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in ARKAAN's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated income statement and the consolidated statement of comprehensive income reflect ARKAAN's share of the result of operations of the associate. Unrealized profits and losses resulting from transactions between ARKAAN and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as ARKAAN. Where necessary, adjustments are made to bring the accounting policies in line with those of ARKAAN.

ARKAAN determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, ARKAAN calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the difference in the consolidated income statement.

When step acquiring an associate, ARKAAN's share is measured at fair value as at the date of acquiring significant influence over the associate. Any resulting differences are recognized in the consolidated income statement.

Upon loss of significant influence over the associates, ARKAAN measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated income statement.

Investment properties

Investment properties are measured at cost less accumulated depreciation and any impairment in value. The carrying value of investment properties is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, investment properties are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated income statement in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to property, plant and equipment the deemed cost for subsequent accounting is the fair value at the date of change in use. If property, plant and equipment become an investment property, ARKAAN accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Segments Information

A business segment consists of assets and operations providing goods or services that are exposed to risks and returns different from those of other business segments.

Properties under development

Properties under development constitute the costs incurred on incomplete projects, which include all costs of design, construction, direct wages, portion of the indirect costs, and finance cost. Upon completion, all properties costs are capitalized and transferred to property, plant and equipment or to properties ready for sale or investment properties based on management's intentions.

The carrying values of properties under development are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any indication exists, and when the carrying value exceeds the recoverable amount, properties under development value is written down to its recoverable amount.

Investments in financial assets

A- Initial recognition of financial assets:

Date of recognition

Financial assets and liabilities are initially recognized on the trade date, i.e., the date that ARKAAN becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and liabilities recorded at fair value through profit or loss, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, ARKAAN accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, ARKAAN recognizes the difference between the transaction price and fair value in net income of ARKAAN. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

B- Classification of financial assets

Financial assets at amortized cost

Debt instruments are measured at amortized cost if both of the following conditions are met:

- The debt instrument is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated at FVTPL as set below). They are subsequently measured at amortized cost using the effective interest method less any impairment, with interest revenue recognized on an effective yield basis.

Accounts receivable are considered as financial assets at amortized cost. Accounts receivable are stated at original invoice amount less any provisions for impaired receivables. When determining the impairment of financial assets, ARKAAN's management uses certain estimates to determine the amounts and timing of future cash flows and also assesses whether the credit risk on the financial asset has increased substantially since initial recognition and includes future information in the measurement of expected credit losses.

Effective interest rate is the interest rate used to discount the future cash flows over the debt instrument life (or a shorter period in certain cases), in order to match its carrying value at the date of initial recognition.

ARKAAN may irrevocably elect at initial recognition to classify a debt instrument that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

<u>Financial assets at fair value through profit or loss (FVTPL)</u>
Debt instrument financial assets that do not meet the amortized cost criteria or that meet the criteria but ARKAAN has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL. ARKAAN has not classified any debt instrument matching amortized cost criteria as financial asset at fair value through profit or loss.

Investments in equity instruments are classified as at FVTPL, unless ARKAAN designates an investment that is not held for trading as at fair value through other comprehensive income (FVOCI) at initial recognition.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognized in the consolidated income statement.

Dividends income on investments in financial instruments are recognized in the consolidated income statement when ARKAAN's right to receive the dividends is established.

<u>Financial assets at fair value through other comprehensive income (FVOCI)</u>
At initial recognition, ARKAAN makes an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading.

Equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the fair value reserve. Where the asset is disposed of, the cumulative gains or losses previously accumulated in the fair value reserve are not recycled to the consolidated income statement but are reclassified directly to retained earnings.

Dividends on investments in equity instruments are recognized in the consolidated income statement when ARKAAN's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

ARKAAN can classify debt instruments as financial assets at FVOCI if both of the following conditions are met:

- The debt instrument is held within a business model whose objective achieved by both collecting contractual cash flows and selling of financial assets; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

C- Derecognition

A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired, or when ARKAAN has transferred all the risks and rewards of the financial assets to a third party. When ARKAAN has neither transferred nor retained all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of ARKAAN's continuing involvement, ARKAAN also recognizes the associated liability. If ARKAAN retains all the risks and rewards of ownership of the transferred financial asset, ARKAAN continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

D- Impairment of financial assets

Impairment allowances for expected credit losses (ECL) are recognized for financial instruments that are not measured at FVTPL. No impairment loss is recognized on equity investments. An ECL provision is made at an amount equal to the lifetime ECL, except for other financial instruments for which the credit risk has not increased significantly since their initial recognition, for which they are measured as a 12-month ECL.

ARKAAN applies a simplified approach in calculating ECL for trade receivables and recognizes a loss allowance based on lifetime ECL at each reporting date. For ECL calculation, ARKAAN classifies trade receivables based on credit risk characteristics and days past due.

<u>Forward looking information</u>
In its ECL models, ARKAAN relies on a broad range of forward-looking information as economic inputs, such as GDP. Inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Provisions for credit-impairment are recognized in the consolidated income statement and are reflected in an allowance account against trade receivables.

<u>Default</u>
Financial assets that are measured at amortized cost are tested as to whether they are credit impaired. Objective evidence that a financial asset is credit-impaired may include a breach of contract, such as default or delinquency in interest or principal payments, the granting of a concession that, for economic or legal reasons relating to the borrower's financial difficulties.

<u>Write-offs</u>
Financial assets are written off either partially or in their entirety only when ARKAAN has stopped pursuing the recovery and there is no evidence of possible future recovery. Subsequent recoveries are recognized as other revenues.

<u>Rescheduling</u>
Financial assets that have been rescheduled and no longer accrued are re-classified as performing financial assets when all principal and interest are settled and when future settlements are reasonably guaranteed. Financial assets that have been rescheduled are subject for period reassessment to determine whether it is still impaired or could be classified as accrued.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and bank balances and short-term deposits with an original maturity of three months or less, net of restricted cash, if any.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized when ARKAAN and its subsidiaries have an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be reliably measured.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Foreign currencies

Transactions denominated in currencies other than U.S. $ occurring during the year, are translated to U.S. $ using the exchange rate at the date of the transaction. Monetary assets and liabilities, which are denominated in foreign currencies are translated into U.S. $ using the rate of exchange at the reporting date. Gains or losses arising from exchange differences are reflected in the consolidated income statement.

Subsidiaries

The balances of the subsidiaries with functional currency other than U.S. $ are translated into U.S. $ at the rate of exchange prevailing at the reporting date. The U.S. $ is linked at a fixed rate to the functional currency of the subsidiaries, therefore, no significant exchange differences are expected to arise on the translation.

Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders of ARKAAN by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of ARKAAN (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares less treasury shares, if any.

4. Material partially owned subsidiary

Financial information of subsidiaries not wholly owned by ARKAAN that have material non-controlling interests are provided below:

Company name	Country of incorporation	2022 Non-controlling interests
Jericho gate for real estate investment	Palestine	%25

	U.S. $ (000's) 2022
Balance of non-controlling interests in a subsidiary:	
Jericho gate for real estate investment	28,890
Profits allocated to non-controlling interests in a subsidiary:	
Jericho gate for real estate investment	2,050
Change in non-controlling interests in a subsidiary (note 5):	
Jericho gate for real estate investment	29,661

The summarized financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations with ARKAAN.

Summarized Statement of Financial Position as at 31 December 2022:

	U.S. $ (000's)
	Jericho gate for real estate investment
Current Assets	60,420
Non-Current Assets	80,353
Current Liabilities	(33,458)
Non-Current Liabilities	(18,555)
Total Equity	88,760

Summarized Income Statement:

	U.S. $ (000's)
	Jericho gate for real estate investment*
Revenues from sale of land and development rights	26,218
Cost of sold land and development rights	(11,350)
	14,868
General and administrative expenses	(1,242)
Interest revenues	2,168
Expected credit losses	(844)
Other revenues	80
Profit for the period before income tax	15,030
Income tax expense	(2,023)
Profit for the period	13,007
Other comprehensive income items	-
Net comprehensive income for the period	13,007

* This summary represents income statement and comprehensive income for the period as at 31 December 2022.

Summarized Cash flow information for the period ended 31 December 2022:

	U.S. $ (000's)
	Jericho gate for real estate investment
Operating activities	22,050
Investing activities	(10,113)
Financing activities	(12,367)
Decrease in cash and cash equivalents	(430)

5. Spin-Off Real Estate assets & Investment portfolio

On 22 March 2022, the extraordinary general assembly of Palestinian Telecommunication Company (PALTEL) took the decision to distribute shares for PALTEL's shareholders in ARKAAN 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.

On 26 June 2022, the Board of Directors of PALTEL determined the assets to be transferred to ARKAAN (real estate assets and investment portfolio) as of 30 June 2022, based on their book value on that date. 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 03 July 2022, ARKAAN's shares were listed on the Palestine Exchange and trading of its shares began on that date.

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 this 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.

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

	U.S. $ (000's)
Assets	
Non-current assets	
Property, plant, and equipment	454
Investment properties	67,723
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
	358,781
Current assets	
Accounts receivable	36,494
Other current assets	1,959
Financial assets at fair value through profit or loss	24,586
Cash and deposits at banks	11,736
	74,775
Total assets	433,556
Equity and liabilities	
Non-controlling interests	29,661
Non-current liabilities	
long-term unearned revenues	3,319
Deferred tax liability	4,848
Other non-current liabilities	928
	9,095
Current liabilities	
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
Total liabilities	38,827
Net Assets transferred	365,068
Net Assets whose transfer has not been completed as of the date of the consolidated financial statements (Note 12)	20,018
Net Assets transferred as stock dividends	385,086

6. Property, Plant, and Equipment

2022	Offices and building leasehold improvements U.S. $ (000's)	Machinery and equipment U.S. $ (000's)	Furniture and decoration U.S. $ (000's)	Wells U.S. $ (000's)	Right Of Use- Building U.S. $ (000's)	Right Of Use- Cars U.S. $ (000's)	Total U.S. $ (000's)
Cost							
Balance as at 21 February 2022	-	-	-	-	-	-	-
Property, plant and equipment transferred from PALTEL (Note 5)	880	167	53	216	-	54	1,370
Transferred from properties under development (Note 8)	122	-	-	-	-	-	122
Additions	-	18	11	-	205	-	234
Balance as at 31 December 2022	1,002	185	64	216	205	54	1,726
Accumulated depreciation							
Balance as at 21 February 2022	-	-	-	-	-	-	-
Property, plant and equipment transferred from PALTEL (Note 5)	552	116	41	169	-	38	916
Depreciation and amortization	25	8	2	9	31	7	82
Balance as at 31 December 2022	577	124	43	178	31	45	998
Net carrying value							
As at 31 December 2022	425	61	21	38	174	9	728

7. Investment Properties

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

	2022
	U.S. $ (000's)
Balance, beginning of the period	-
Investment properties transferred from PALTEL (Note 5) *	67,723
Additions	2,168
Impairment losses of investments	(362)
Provision for land settlement	(141)
Balance, end of the period	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.

According to the reports of professional real estate appraisers, the fair value of Investment properties amounted to U.S. $ 125,100,000 as at 31 December 2022.

8. Properties under development

This item represents ARKAAN's project for land development in Jericho for the purpose of developing and selling it. Paid amounts on the project 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.

According to the reports of professional real estate appraisers, the fair value of unsold and remaining lands amounted to U.S. $ 176,696,000 as at 31 December 2022.

The movement on properties under development was as follows:

	2022
	U.S. $ (000's)
Balance, beginning of the period	-
Properties under development transferred from PALTEL (Note 5)	54,437
Additions	3,842
Transferred to property, plant and equipment (Note 6)	(122)
Cost of sold properties under development	(14,519)
Balance, end of the period	43,638

Properties under development includes the following as at 31 December 2022:

	2022
	U.S. $ (000's)
Lands	74,011
Land processing costs, road network and infrastructure work	23,319
Studies and consultants	4,540
Finance costs	746
Others	398
	103,014
Sold properties under development	(59,376)
	43,638

9. 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 18.96%.

The market value of ARKAAN's investment in an associate (listed in Palestine exchange market) as at 31 December 2022 amounted to U.S. $ 38,170,000.

The following is the movement on investment in an associate:

	2022
	U.S. $ (000's)
Balance, beginning of the period	-
Investment in an associate transferred from PALTEL (Note 5)	31,530
Net purchase / sale of shares in an associate	188
ARKAAN's share of associate's results of operation	1,971
ARKAAN's share of associate's other comprehensive income	64
Balance, end of the period	33,753

The following schedule summarizes the financial information related to ARKAAN's investment in TNB:

	2022
	U.S. $ (000's)
Statement of financial position for TNB	
Non-current assets	1,037,412
Current assets	494,905
Non-current liabilities	(152,962)
Current liabilities	(1,214,731)
Equity	164,624
ARKAAN's share	31,213
Adjustments	2,540
Carrying amount of investment	33,753
Revenues and Results of Operations:	
Revenues	66,680
Results of the bank's operations for the year ended 31 December 2022	17,001
Results of the bank's operations for the period ended 31 December 2022	10,001
ARKAAN's share of results of operations	1,971
ARKAAN's share of other comprehensive income	64
Other information:	
Contractual and Contingent liabilities	89,445

10. 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:

	2022
	U.S. $ (000's)
Quoted shares in regional financial markets	150,185
Un-Quoted shares in financial markets	3,080
	153,265

Movement on the fair value reserve was as follows:

	2022
	U.S. $ (000's)
Balance, beginning of the period	-
Losses from valuation of financial assets at fair value through other comprehensive income	(78)
ARKAAN's share of associate's other comprehensive income	64
Balance, end of the period	(14)

B) Financial assets at fair value through profit or loss

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

	2022
	U.S. $ (000's)
Quoted shares in regional financial markets	24,838

11. Accounts receivable

	2022
	U.S. $ (000's)
Trade receivables	801
Checks under collection	104,566
	105,367
Allowance for expected credit losses*	(1,224)
	104,143
Short-term accounts receivable	39,233
Long-term accounts receivable	64,910

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

	2022
	U.S. $ (000's)
Balance, beginning of the period	-
Transferred from PALTEL	380
Additions during the period	844
Balance, end of the period	1,224

Aging analysis of the accounts receivable as at 31 December 2022 was as follows:

	U.S. $ (000's)				
			Past due		
	Total	Not past due	Less than 90 days	91-180 days	More than 181 days
Accounts receivable	105,367	104,516	388	202	261
Allowance for expected credit losses	(1,224)	(1,224)	-	-	-
	104,143	103,292	388	202	261

The subsidiary obtain guarantees against sold lands and other guarantees against some of these receivables. As a guarantee, ownership of sold properties is not transferred to buyers until the receivables are settled in full.

12. Other Current Assets

	2022
	U.S. $ (000's)
Due from PALTEL (Note 5)	20,018
Due from Value Added Tax department	795
Advances to suppliers	583
Accrued Interest revenues	77
Due from related parties	64
Others	89
	21,626

13. Cash and deposits at banks

	2022
	U.S. $ (000's)
Deposits at banks	14,800
Current accounts at banks	11,829
Cash on hand	3
	26,632

For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise the following as at 31 December 2022:

	2022
	U.S. $ (000's)
Deposits at banks	14,800
Current accounts at banks	11,829
Cash on hand	3
	26,632
Deduct: Deposits maturing in more than 3 months	(13,600)
Restricted cash *	(5)
Cash and Cash Equivalent	13,027

The average interest rates on deposits in U.S. $ during the period was 3.24%.

* Cash and cash equivalents include an amount of U.S. $ 5,000 restricted as a guarantee with a regional bank, as at 31 December 2022.

14. 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.

15. Distributed Cash Dividends from a subsidiary

The Extraordinary General Assembly of Jericho Gate for Real Estate Investment Company (a subsidiary), held on 25 August 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. 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. $ 2,821,000.

16. Unearned Revenues

This item represents the amounts received in advance on account for the sale of properties and development rights. These unearned revenues are recognized in the consolidated income statement when the revenue is realized. The following is a summary of the movement on unearned revenues:

	2022
	U.S. $ (000's)
Balance, beginning of the period	-
Unearned revenues transferred from PALTEL (Note 5)	22,939
Additions for the period	34,917
Returns	(2,685)
Realized unearned revenues	(16,062)
Balance, end of the period	39,109

The Following table represents the details of unearned revenues:

	2022
	U.S. $ (000's)
Short Term	21,458
Long-Term	17,651
Total	39,109

17. Deferred Tax Liability

The movement on deferred tax liabilities was as follows:

	2022
	U.S. $ (000's)
Balance, beginning of the period	-
Deferred tax liability transferred from PALTEL (Note 5)	4,848
Amortization of deferred tax liabilities	(852)
Balance, end of the period	3,996

18. Other Non-Current Liabilities

	2022
	U.S. $ (000's)
Unpaid accrued expenses	729
Provision for employees' indemnity *	230
Long-term lease liability	157
Other	351
	1,467

* Provision for employees' indemnity is provided for in accordance with the labor law prevailing in Palestine and ARKAAN's personnel system. Following is the movement on provision for employees' indemnity:

	2022
	U.S. $ (000's)
Balance, beginning of the period	-
Provision for employee's indemnity transferred from PALTEL (Note 5)	184
Additions*	46
Payments during the period	-
Balance, end of the period	230

* An amount of U.S. $ 8,000 from the end of service expense has been charged to properties under development account as of 31 December 2022.

19. Accounts Payable

	2022
	U.S. $ (000's)
Contractors' payables	1,693
Trade payables	192
Due to related parties	37
	1,922

20. Long-term loans and credit facilities

During 2021, Jericho Gate for Real Estate Investment Company (a subsidiary) signed a loan agreement with a ceiling of U.S $ 10,000,000 with one of the local banks operating in Palestine, in order to liquidate post-dated checks obtained from land sales in Jericho Gate project, including an overdraft with a ceiling of U.S $ 2,000,000. The company did not utilize any balance from the loan or overdraft as at 31 December 2022.

During previous years, Jericho Gate for Real Estate Investment Company (a subsidiary) signed a loan agreement with a ceiling of U.S, $ 9,260,000 with one of the local banks operating in Palestine, in order to liquidate post-dated checks obtained from land sales in the Jericho Gate project. The utilized balance of the loan as at the date of transferring the real estate assets and the investment portfolio from PALTEL amounted to U.S $ 1,078,000, in which the subsidiary, had fully paid the balance during the period.

21. Provision for income tax

The following is a summary of the movement on the provision for income tax during the period:

	2022
	U.S. $ (000's)
Balance, beginning of the period	-
Provision for income tax transferred from PALTEL (Note 5)	403
Additions	2,030
Payments of income tax	(669)
Currency variance	15
Balance, end of the period	1,779

During the period, 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. Jerusal (a subsidiary) has not reached a final settlement with the Income Tax Department for the results of its operations for the year 2021, however it had submitted its tax return for the year.

Following are the details of income tax expense shown in the consolidated income statement:

	For the period since inception on 21 February 2022, until 31 December 2022
	U.S. $ (000's)
Income tax expense for the period	2,030
Amortization of deferred tax liabilities (note 17)	(852)
	1,178

Following is a reconciliation summary between taxable income and accounting income:

	For the period since inception on 21 February 2022, until 31 December 2022
	U.S. $ (000's)
Profit before income tax	10,485
Non-taxable profits	(2,223)
Nondeductible expenses	5,213
Taxable income	13,475
Income tax expense	2,021
Accrued income tax by ARKAAN	2,030
Percentage of actual income tax	%19,4

22. Other current liabilities

	2022
	U.S. $ (000's)
Post-dated checks	2,122
Provision for employees related benefits	619
Accrued costs on properties under development	327
Unpaid accrued expenses	282
Short-term lease liabilities	45
Vacations provision	27
Other provisions	5,097
	8,519

23. 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 31 December 2022			
	U.S. $ (000's)			
	Sales revenue	Sales Discount	Cost of sales	Gross Profit
	U.S. $ (000's)	U.S. $ (000's)	U.S. $ (000's)	U.S. $ (000's)
Housing	14,997	(282)	(8,354)	6,361
Cultural	6,104	-	(4,922)	1,182
Commercial	3,379	(42)	(2,293)	1,044
Mixed use	1,277	-	(880)	397
Tourism	785	-	(580)	205
	26,542	(324)	(17,029)	9,189

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:

<u>**According to the revenue recognition time:**</u>

	For the period since inception on 21 February 2022, until 31 December 2022
	U.S. $ (000's)
At a specific point of time	2,940
Over a period of time	23,278
	26,218

24. Interest Revenues

Revenues from the sale of land and development rights were initially recognized at fair value and were discounted using the average market lending rate. The fair value adjustment of receivables from developers resulted in interest revenue of U.S $2,105,000 for the period ending on 31 December 2022.

	For the period since inception on 21 February 2022, until 31 December 2022
	U.S. $ (000's)
Interest revenue from discounting checks	2,105
Interest on deposits at banks	119
	2,224

25. Operating and administrative expenses

	For the period since inception on 21 February 2022, until 31 December 2022
	U.S. $ (000's)
Payroll and related employees' benefits	1,041
Advertising and marketing	280
Fees and subscriptions	120
Professional fees	103
Depreciation and amortization	82
Donations and sponsorships	38
Maintenance	34
Insurance expense	34
Other	59
	1,791

26. Other Revenues and Expenses, net

	For the period since inception on 21 February 2022 until 31 December 2022
	U.S. $ (000's)
Finance cost	(16)
Foreign exchange losses	(70)
Provision for land settlement	(141)
Impairment losses	(362)
Allowance for expected credit losses	(844)
Other revenues, net	73
	(1,360)

27. Basic and diluted earnings per share from profit for the period

Basic and diluted earnings per share for the period since inception on 21 February 2022, until 31 December 2022 was as follows:

	For the period since inception on 21 February 2022, until 31 December 2022
Profit for the period attributable to the shareholders of the parent (U.S. $)	7,257,000
Weighted average number of subscribed share capital (Shares)	131,625,000
Basic and diluted earnings per share for the period (U.S. $)	0.055

28. 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.

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 (The second level)	Unobservable data (The third level)
	U.S. $ (000's)	U.S. $ (000's)	U.S. $ (000's)	U.S. $ (000's)
Assets measured at fair value:				
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	-	-
Assets for which fair value is disclosed				
Investment properties	125,100	-	-	125,100
Investment in an associate	38,170	38,170	-	-
Properties under development	176,696	-	-	176,696

The following is the movement on assets which are measured at fair value through the third level:

	Financial assets at fair value through other comprehensive income
	U.S. $ (000's)
Balance, beginning of the period	-
Transferred from PALTEL (Note 5)	3,084
Additions during the period	300
Change in fair value	(304)
Balance, end of the period	3,080

<u>The following are key assumptions used to determine the fair value of investment properties and properties under development:</u>

Regarding lands, external appraisers are involved to evaluate the fair value of investment properties and properties under development, which are mainly similar lands' sale transactions during the year, and which is calculated based on the fair value per square meter multiplied by the area.

<u>The fair value of financial assets and liabilities:</u>

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

	Carrying amount	Fair Value
	2022	2022
	U.S. $ (000's)	U.S. $ (000's)
<u>Financial assets:</u>		
Financial assets at fair value through other comprehensive income	153,265	153,265
Financial assets at fair value through profit or loss	24,838	24,838
Accounts receivable	104,143	104,143
Other financial assets	21,041	21,041
Cash and deposits at banks	26,632	26,632
	329,919	329,919
<u>Financial Liabilities:</u>		
Accounts payable	1,922	1,922
Other financial liabilities	9,722	9,722
	11,644	11,644

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 reporting date.
- The fair value of unquoted financial assets at fair value is determined using appropriate valuation methods

29. 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 consolidated statement of financial position:

	Nature of relationship	2022 U.S. $ (000's)
Other current assets	Company invested in by major shareholders	20,018
Other current assets	A major shareholder's subsidiaries	64
Cash and deposits at banks	Associate	15,698
Non-controlling interests	Major shareholder	28,890
Accounts Payable	Company invested in by major shareholders	37

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

	Nature of relationship	For the period since inception on 21 February 2022 until 31 December 2022 U.S. $ (000's)
Interest from deposits	Associate	79
Other revenues	A major shareholder subsidiary	59

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

Key management's share of salaries and related benefits	456
Key management's share of employees' indemnity expense	22
Board of Directors' compensation and expenses	21

30. Risk management

ARKAAN's financial liabilities comprise lease liabilities, accounts payable and some other financial liabilities. The main purpose of these financial liabilities is to finance ARKAAN's operations. In addition, ARKAAN has various financial assets such as Investments in securities, cash and deposits at banks and some other financial assets, which arise directly from ARKAAN's operations.

Financial assets are classified according to the nature of their measurements as follows:

	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
31 December 2022	U.S. $ (000's)	U.S. $ (000's)	U.S. $ (000's)	U.S. $ (000's)
Investment in securities	-	24,838	153,265	178,103
Accounts receivable	104,143	-	-	104,143
Cash and deposits at banks	26,632	-	-	26,632
Other financial assets	21,041	-	-	21,041
	151,816	24,838	153,265	329,919

All financial liabilities as at 31 December 2022 are classified at amortized cost.

The main risks arising from ARKAAN's financial instruments are interest rate risk, foreign currency risk, equity price risk, credit risk and liquidity risk. ARKAAN's Board of Directors reviews and approves policies for managing these risks which are summarized below:

Credit risk

Credit risk is the risk that may result from default or inability of debtors and other parties to meet their obligations to ARKAAN. Regarding credit risks arising from financial assets that include mainly accounts receivable, other financial assets, cash and deposits at banks and due from related parties, the company's exposure to credit risk results from the inability of the other party to fulfill its obligations, with a maximum exposure equals to the carrying amount of these financial assets.

Accounts receivable:

ARKAAN has a broad-based clientele. The credit risk associated with accounts receivable is widely distributed among a large number of individual customers. Customer credit risk is managed by ARKAAN based on its policies relating to customer credit risk management.
Also, ARKAAN has a system of following up collection of receivables through the management effort and the legal channels.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into groups and are assessed for impairment collectively. The calculation involves certain percentages derived from group of inputs, including historical collection patterns, type of customer, services provided, aging of trade receivables reports, and default definition through the number of days past due.

The maximum exposure of accounts receivable to credit risk is the carrying amount of the accounts receivables and other current assets as disclosed in (Notes 11,12). In addition to that, ARKAAN sells its properties under development in installments due within several years after the sale. ARKAAN reduces credit risk by transferring ownership of properties sold to customers only after all installments have been collected.

Other financial assets
With respect to credit risk arising from the other financial assets, including cash and deposits at banks and other accruals, ARKAAN's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these financial assets.

Interest rate risk

It is the risk resulting from a change in fair value or future cash flows of a financial instrument because of a change in market interest rates. The exposure to the risk of changes in market interest rates relates primarily to financial assets and financial liabilities with floating interest rates. Long-term loan obligations, lease liabilities and cash and deposits at banks are subject to fixed interest rates and therefore ARKAAN is not exposed to interest rate risk.

Foreign currency risk

The following table shows the sensitivity of the consolidated income statement as a result of possible reasonable changes in the exchange rates of the Israeli shekel against the US dollar, with all other influences remaining constant. The exchange rate of the US dollar is pegged to a fixed rate against the Jordanian dinar, and therefore, there is no impact on the consolidated financial statements as a result of changes in the exchange rate of the Jordanian dinar. The effect of the expected decrease in foreign exchange rates is equal and opposite to the effect of the increase shown below:

	The increase in the price of the Israeli shekel against the U.S dollar	The effect on the consolidated income statement
2022	%	U.S. $ (000's)
Israeli shekel	20	386

Equity price risk

The following table shows the effect of a change in the fair value of financial assets at fair value through profit or loss and through other comprehensive income as a result of reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown:

	Increase in equity price	Effect on consolidated equity	Effect on consolidated income statement
	%	U.S. $ (000's)	U.S. $ (000's)
2022			
Quoted	+10	15,019	2,484
Unquoted	+10	308	-

Liquidity Risk

ARKAAN manages liquidity risks through maintaining continuity of funds and obtaining bank overdrafts and credit facilities to fulfill its potential obligations and to finance its activities. Most of ARKAAN's financial liabilities are due within three months from the date of the consolidated financial statements.

The table below summarizes the balances of the undiscounted financial liabilities as at 31 December 2022, according to their maturities:

	Less than 3 months	From 3 to 12 Months	From 1 to 5 years	More than 5 years	Total
	U.S. $ (000's)	U.S. $ (000's)	U.S. $ (000's)	U.S. $ (000's)	U.S. $ (000's)
31 December 2022					
Accounts payable	1,922	-	-	-	1,922
Lease Liabilities	7	62	164	-	233
Other financial liabilities	9,722	-	-	-	9,722
	11,651	62	164	-	11,877

31. Contractual commitments and contingent liabilities

As of the 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 consolidated financial statements.

Following is a summary of the outstanding contractual commitments, which are due in the following years:

	31 December 2022
	U.S. $ (000's)
Unpaid portion of the contractual contracts	5,381
Unpaid portion of the consultation contracts	80
	5,461

Within the normal business activity of ARKAAN, ARKAAN appears as a defendant in several cases brought against it regarding the legal ownership of some lands classified under investment properties. ARKAAN's management believes that, based on a letter from the legal advisor, it will not have any material obligations except for what was already provisioned for.

32. 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 for the period since inception on 21 February 2022 until 31 December 2022:

31 December 2022	Real estate development	Financial investment	Eliminations	Total
Revenues	U.S. $ (000's)	U.S. $ (000's)	U.S. $ (000's)	U.S. $ (000's)
Revenues from external parties	26,218	-	-	26,218
Inter-segment revenues (eliminated)	-	8,463	(8,463)	-
Share of associate's results of operations	-	1,971	-	1,971
Profit from valuation of financial assets at fair value through profit or loss	-	252	-	252
Segment revenues	26,218	10,686	(8,463)	28,441
Results of operations				
Cost of sale	(11,350)	-	(5,679)	(17,029)
Segment's profit before tax	14,472	10,156	(14,143)	10,485
Other information				
Capital expenditures	6,244	-	-	6,244
Interest revenues	2,168	56	-	2,224
Investments in an associate	-	33,753	-	33,753

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

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)
Segments' assets	211,074	570,276	(303,339)	478,011
Segments' liabilities	53,014	371	3,407	56,792

33. Capital Management

The primary objective of ARKAAN's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize its equity. ARKAAN manages its capital structure and makes adjustments in light of changes in business conditions.

Capital comprises paid-in share capital, additional paid-in capital, statutory reserve, fair value reserve, retained earnings and non-controlling interests with a total of U.S. $ 421,219 as at 31 December 2022.

34. 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.