

Arkaan Real Estate P.L.C

Consolidated Financial Statements

31 December 2025



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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 31 December 2025, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of ARKAAN as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

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) as applicable to audits of financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for expressing our opinion.

Emphasis of Matter - War on the Gaza Strip

We draw attention to Note (37) to the accompanying consolidated financial statements, which relates to the war on the Gaza Strip and the management's decision to fully provide for its exposures in the Gaza Strip. Our opinion is not modified with respect to this matter.

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 31 December 2025. 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.



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Key audit matter	How our audit addressed the key audit matter
<p>Revenues from sale of land and development rights and cost of land and development rights sold</p> <p>ARKAAN recognised U.S. \$ 941,000 of revenues from sale of land and development rights, and U.S. \$ 863,000 of cost of land and development rights sold for the year ended 31 December 2025.</p> <p>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.</p> <p>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.</p> <p>Revenues from sale of land and development rights recognised in the year is disclosed in the consolidated income statement and in the segment information in Notes (24,34) of the consolidated financial statements.</p> <p>Cost of land and development rights sold are brought to account on an accruals basis and are disclosed in the consolidated income statement and the segment information in Notes (24,34) of the consolidated financial statements.</p> <p>Note (3) of the consolidated financial statements discloses the accounting policy for recognition of such amounts.</p>	<p>We evaluated ARKAAN's processes and assessed the design and operating effectiveness of key controls for cost of land and development rights sold and for estimating costs to complete of major properties under development.</p> <p>We evaluated the history of budget and forecasting accuracy associated with cost of land and development rights sold and estimating costs to complete.</p> <p>We tested the allocation of transaction price among performance obligations for sale of land and development rights.</p> <p>We assessed project costs to date, estimates of revenue and costs to complete.</p> <p>We inspected engineering reports prepared by the external engineering firms overseeing the project to assess revenue recognition estimates and estimated costs used to complete projects.</p> <p>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.</p> <p>We assessed the calculation of revenue recognised in the year by ARKAAN and assessed the adequacy of the disclosures to the consolidated financial statements to ensure compliance with IFRS (15).</p>



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Key audit matter	How our audit addressed the key audit matter
<p>Expected credit losses “ECL”</p> <p>Gross account receivables amounted to U.S. \$ 33,640,000 as at 31 December 2025. before the allowance for expected credit losses which amounted to U.S. \$ 18,897,000 and represents 56.2% of total receivables.</p> <p>IFRS (9) requires the use of the ECL model, which requires ARKAAN’S management to use various assumptions and estimates to determine both the time and value of ECL in addition to applying judgment in determining the inputs within the impairment measurement process, including collaterals and default date.</p> <p>The estimation process of the expected credit losses of accounts receivables in accordance with IFRS (9) is important and complex as it requires significant judgement.</p> <p>This model involves the use of estimates and assumptions that reflect information about past events, such as the ages of the balances of these receivables, past disputes with customers, historical collection patterns, current conditions and expectations of future conditions, as well as any other information available about the creditworthiness of the counterparty.</p> <p>We have focused on this matter because of the judgments and estimates used in calculating the allowance for expected credit losses on receivables, especially with regard to estimating future cash flows, the quality of customers, and its relative importance on ARKAAN’s financial position and performance.</p>	<p>Our audit procedures included obtaining a detailed understanding of the key input sources and assumptions used in the ECL calculation process.</p> <p>We also examined the loss ratio used, in addition to other key factors, which form the basis for calculating expected credit losses. We also validated the exposure to default definition used in calculating expected credit losses. In addition, we evaluated whether the present value of money was taken into account in the expected credit loss model, as well as validated the calculations for the expected credit loss model.</p> <p>We took into account ARKAAN's rating of customers, customer types, collection pattern in previous years, and macroeconomic factors.</p> <p>We also evaluated the relevant disclosures in Note (12) to the consolidated financial statements.</p>

Other information included in ARKAAN’s 2025 Annual Report

Other information consists of the information included in ARKAAN’s 2025 Annual Report other than the consolidated financial statements and our auditor’s report thereon. Management is responsible for the other information. ARKAAN’s 2025 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 IFRS-Accounting Standards, 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- 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.
- Planning and performing the group audit to 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 31 December 2025 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

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Ramallah - Palestine

March 29, 2026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

		2025	2024
	Notes	U.S. \$ (000's)	U.S. \$ (000's)
Assets			
Non-current assets			
Property, plant, and equipment	5	269	487
Investment properties	6	36,875	42,013
Properties under development	7	89,116	68,703
Financial assets at fair value through other comprehensive income	10	322,147	212,228
Other non-current assets	11	20,677	20,312
		<u>469,084</u>	<u>343,743</u>
Current assets			
Land and properties held for sale	8	8,765	6,549
Short-term accounts receivable	12	10,307	24,510
Other current assets	13	17,673	20,537
Financial assets at amortized cost	9	-	9,694
Financial assets at fair value through profit or loss	10	35,023	22,879
Cash and deposits at banks	14	28,212	22,544
		<u>99,980</u>	<u>106,713</u>
Total assets		<u>569,064</u>	<u>450,456</u>
Equity and liabilities			
Equity			
Paid-in share capital	1	131,625	131,625
Share premium	1	253,461	253,461
Statutory reserve	15	2,472	726
Fair value reserve	10	124,392	22,242
Retained earnings (accumulated losses)		7,014	(8,704)
Equity attributable to equity holders of the parent		<u>518,964</u>	<u>399,350</u>
Non-controlling interests	4	27,554	23,983
Total equity		<u>546,518</u>	<u>423,333</u>
Non-current liabilities			
Long-term loans	21	65	1,341
Long-term unearned revenues	16	1,916	10,308
Deferred tax liabilities	17	3,822	3,761
Provision for employees' indemnity	18	419	350
Other non-current liabilities	19	976	1,065
		<u>7,198</u>	<u>16,825</u>
Current liabilities			
Accounts payable	20	2,803	1,982
Credit facilities and short-term loans	21	3,315	4,222
Short-term unearned revenues	16	4,400	-
Income tax provision	22	214	-
Other current liabilities	23	4,616	4,094
		<u>15,348</u>	<u>10,298</u>
Total liabilities		<u>22,546</u>	<u>27,123</u>
Total equity and liabilities		<u>569,064</u>	<u>450,456</u>

The attached notes from 1 to 38 are part of these consolidated financial statements

CONSOLIDATED INCOME STATEMENT

For the Year Ended 31 December 2025

		For the year ended in 31 December 2025	For the year ended in 31 December 2024
	Notes	U.S. \$ (000's)	U.S. \$ (000's)
Revenues from sale of land and development rights	24	941	7,592
Cost of land and development rights sold	24	(863)	(3,539)
Sales return, net	24	(1,656)	-
Gain from sale of investments properties, net	6	80	-
Gross (losses) profits from real estate activities		(1,498)	4,053
Profits (losses) from valuation of financial assets at fair value through profit or loss	10	11,633	(960)
Dividends income from financial assets	10	15,859	12,330
Investment returns	9	98	199
Profit from investment activities		27,590	11,569
Interest revenues	25	3,539	4,354
Operating and administrative expenses	26	(3,148)	(2,639)
Operating profit		26,483	17,337
Expected credit losses provision, net	27	(2,799)	(1,996)
Impairment losses of investment properties	6	(6,073)	(20,500)
Impairment losses of properties under development	7	(1,275)	-
Other revenues (expenses), net	28	90	(262)
Profit (loss) for the year before income tax		16,426	(5,421)
Income tax expense	22	(391)	(1,167)
Profit (loss) for the year		16,035	(6,588)
Attributable to:			
Shareholders of the parent		17,464	(7,071)
Non-controlling interest	4	(1,429)	483
		16,035	(6,588)
Basic and diluted earnings per share from profit (loss) for the year		0.133	(0.054)

The attached notes from 1 to 38 are part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2025

		For the year ended in 31 December 2025	For the year ended in 31 December 2024
	Notes	U.S. \$ (000's)	U.S. \$ (000's)
Profit (loss) for the Year		16,035	(6,588)
Other Comprehensive Income items:			
<i>Items that will not be reclassified to the consolidated income statement in subsequent periods:</i>			
Gains from valuation of financial assets at fair value through other comprehensive income	10	102,150	11,578
Total other comprehensive income for the year		102,150	11,578
Net comprehensive income for the year		118,185	4,990
Attributable to:			
Shareholders of the parent		119,614	4,507
Non-controlling interest		(1,429)	483
		118,185	4,990

The attached notes from 1 to 38 are part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2025

	Attributable to equity holders of the parent					Total	Non-controlling interests	Total equity
	Paid-in share capital	Share premium	Statutory reserve	Fair value reserve	(Accumulated Losses) retained earnings			
	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)			
31 December 2025								
Balance as at 1 January 2025	131,625	253,461	726	22,242	(8,704)	399,350	23,983	423,333
Profit for the Year	-	-	-	-	17,464	17,464	(1,429)	16,035
Other comprehensive income items	-	-	-	102,150	-	102,150	-	102,150
Net comprehensive income	-	-	-	102,150	17,464	119,614	(1,429)	118,185
Transfer to statutory reserve	-	-	1,746	-	(1,746)	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	5,000	5,000
Balance as at 31 December 2025	131,625	253,461	2,472	124,392	7,014	518,964	27,554	546,518

	Attributable to equity holders of the parent					Total	Non-controlling interests	Total equity
	Paid-in share capital	Share premium	Statutory reserve	Fair value reserve	Accumulated Losses			
	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)			
31 December 2024								
Balance as at 1 January 2024	131,625	253,461	726	10,664	(1,633)	394,843	23,500	418,343
Loss for the Year	-	-	-	-	(7,071)	(7,071)	483	(6,588)
Other comprehensive income items	-	-	-	11,578	-	11,578	-	11,578
Net comprehensive income	-	-	-	11,578	(7,071)	4,507	483	4,990
Balance as at 31 December 2024	131,625	253,461	726	22,242	(8,704)	399,350	23,983	423,333

The attached notes from 1 to 38 are part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2025

	Notes	For the Year Ended in 31 December 2025 U.S. \$ (000's)	For the Year Ended in 31 December 2024 U.S. \$ (000's)
Operating Activities			
Profit (loss) for the year before income tax		16,426	(5,421)
Adjustments:			
Depreciation and amortization		151	190
Profits from sale of property, plant, and equipment		(5)	-
Profits from sale of investments properties, net		(80)	-
Interest revenues and investment returns		(3,637)	(4,553)
Distributed cash dividends from financial assets		(15,859)	(12,330)
Expected credit loss provision, net		2,799	1,996
Provision for employees' indemnity		189	90
Impairment losses of investment properties		6,073	20,500
Impairment losses of properties under development		1,275	-
(Gains) losses from valuation of financial assets at fair value through profit or loss		(11,633)	960
Other non-cash items		(444)	24
		<u>(4,745)</u>	<u>1,456</u>
Working capital adjustments:			
Accounts receivable		9,646	9,022
Other current assets		(14,057)	3,897
Accounts payable		821	(936)
Properties under development		863	2,150
Unearned revenues		51	(7,592)
Other current liabilities		570	(1,330)
Other non-current liabilities		7	(42)
Income tax paid		(68)	(162)
Employees' indemnity paid		(137)	(120)
Net cash flows (used in) from operating activities		<u>(7,049)</u>	<u>6,343</u>
Investing Activities			
Purchase of Investment properties		(950)	(1,443)
Sale of investment properties		95	-
Additions to properties under development		(9,368)	(6,175)
Change in deposits in banks maturing after three months		(1,659)	(4,635)
Purchase of property, plant, and equipment		(7)	-
Sale of property, plant, and equipment		8	-
Received dividends revenues		15,956	12,233
Investment in financial assets at amortized cost		10,000	(10,000)
Investment in financial securities		(8,280)	(1,027)
Interest revenues received		2,623	2,561
Net cash flows from (used in) investing activities		<u>8,418</u>	<u>(8,486)</u>
Financing activities			
Payments of lease liability		(69)	(92)
long-term loans withdrawals		719	3,910
Payments of long-term loans		(2,897)	(2,413)
Change in non-controlling interests		5,000	-
Net cash flows from financing activities		<u>2,753</u>	<u>1,405</u>
Increase (decrease) in cash and cash equivalents		<u>4,122</u>	<u>(738)</u>
Cash and cash equivalents, beginning of the year		4,695	5,433
Cash and cash equivalents, end of the year	14	<u><u>8,817</u></u>	<u><u>4,695</u></u>

The attached notes from 1 to 38 are part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

1. Corporate Information

Asas Al-Ard for Investment and real estate development Co. was incorporated in Ramallah, Palestine on 21 February 2022, and registered with the Ministry of National Economy as a private limited shareholding company under registration no. (562764050). On 22 March 2022, the extra-ordinary general assembly of Palestinian Telecommunication Company (PALTEL) took the decision to distribute shares for PALTEL shareholders in a newly created entity (Arkaan Real Estate), with the aim of transferring real estate assets and investment portfolio to it. The distribution was on the basis of 1:1, wherein PALTEL shareholder would get one share in ARKAAN for each share in PALTEL.

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

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

ARKAAN's issued and paid-in capital comprises U.S. \$ 131,625,000 at par value of U.S. \$ 1 per share. Net assets in an amount of U.S. \$ 385,086,000 were transferred in exchange for a capital contribution, which resulted in share premium in an amount of U.S. \$ 253,461,000.

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

This consolidated financial statements of ARKAAN were authorized for issuance in accordance with a resolution of the Board of Directors on February 10, 2026.

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 2025.

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

	Nature of business	Ownership Percentage		Capital (U.S. \$)	
		%		2025	
		2025	2024	Subscribed	Paid
Jericho Gate for real estate investment	Real estate investment	75	75	49,365,000	49,365,000
Jerusal for real estate investment	Real estate investment	100	100	1,500,000	1,500,000
Arcadia W.L. L	Financial investment	100	100	132,983	132,983

ARKAAN's subsidiaries operate in the Palestinian National Authority territories, except for Arcadia W.L.L which operates in Bahrain.

The financial periods of the subsidiaries are the same as the financial period of ARKAAN, where necessary, ARKAAN makes adjustments to align the policies of the subsidiaries with the accounting policies of ARKAAN.

3. 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).

3.2 Basis of consolidation of financial statements

The consolidated financial statements comprise of the financial statements of ARKAAN and its subsidiaries as at 31 December 2025.

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 presumption and when ARKAAN has less than a majority of the voting or similar rights of an investee, 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; and
- 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.

The financial statements of the subsidiaries are consolidated with ARKAAN's financial statements based on the consolidation of a line-by-line basis of assets, liabilities and results of ARKAAN with the assets, liabilities, and results of its subsidiaries. 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 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 Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended in 31 December 2024, except that ARKAAN has implemented the following amendments as at 1 January 2025:

Lack of exchangeability - Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

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

3.4 Standards and amendments issued but not yet effective

The International Accounting Standards Committee has issued some standards and amendments, which are still not effective until the date of the consolidated financial statements are disclosed below, and ARKAAN will apply these standards and amendments starting from the date of mandatory application:

Amendments to the Classification and Measurement of Financial Instruments– Amendments to IFRS 9 and IFRS 7

In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only.

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

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition,

there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

This standard will result in a new presentation of the income statement with some new required totals, in addition to the disclosure of management-defined performance measures.

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

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

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

3.5 Significant accounting judgments, estimates and assumptions

The consolidated financial statements of ARKAAN have been prepared in accordance with International Financial Reporting Standards (IFRSs)-Accounting Standards.

The preparation of ARKAAN's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and the accompanying disclosures and the disclosure of contingent liabilities, at the reporting date. 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 32)
- Capital management (Note 35)

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

Going Concern:

Despite the events and circumstances described in note (37), these consolidated financial statements have been prepared on a going concern basis. The management is taking all available measures to maintain ARKAAN's continuity in the current business environment and economic conditions, as ARKAAN expects to maintain positive cash flows from its operational activities in the Palestinian areas which are not directly affected by these events, especially in the West Bank areas. ARKAAN's management regularly monitors the liquidity situation to ensure that there are sufficient levels of liquidity to meet ARKAAN's expected needs and continue its work. The management also continues to follow up on this event and study its impact on ARKAAN's financial position. Management believes that there are no substantial doubts about ARKAAN's ability to continue its business.

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.

The Israeli war on Gaza Strip affected an important part of ARKAAN's assets in Gaza Strip. The management used several estimates, judgments, and accounting assumptions to determine the amounts of impaired assets and calculate the value of the loss in light of the information available to it, including reviewing reports and information related to the level of damage in Gaza Strip.

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.

Land and properties held for sale

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.

Judgements related to revenues from contracts with customers

Contracts signed with developers include the sale of land and related infrastructure services. ARKAAN has concluded that it has two separate obligations, selling land to developers and providing them with infrastructure services related to these land. 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 adjusts it, if needed, at the end of each financial year.

Land settlement provision

Based on the opinion of ARKAAN's legal advisors, the management of ARKAAN takes provisions to meet any legal obligations related to settling objections raised against the ownership of ARKAAN's land.

3.6 Accounting policies:

Revenue from contracts with customers

Revenues from contracts with customers are recognized as follows:

Land sale and developments right revenues

The signed contracts include two separate liabilities, that when they sell land to the developer, in addition to providing them with this land infrastructure services, so the received amount will be distributed between the land and its infrastructure services, the proceeds from land 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 realized.

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 as an expense 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 recognizing 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.

A reconciliation is made between deferred tax assets and deferred tax liabilities and the net amount is recognized in the consolidated financial statements only when the legally binding rights are available and when they are settled on a settlement basis or the asset is realized, and the liability settled 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 30)
- Financial assets (Note 10)
- Investment properties (Note 6)
- Properties under development (Note 7)
- Land and properties held for sale (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)
Leasehold improvements	4 - 10
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 the end of 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 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 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 expenses 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 leases 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 expenses 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.

That is, ARKAAN considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, ARKAAN reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

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 costs. 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.

Land and properties held for sale

Developed and held for sale land is measured at cost. The carrying values of these land 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, land held for sale 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.

Financial assets at fair value through profit or loss (FVTPL)

Debt instrument financial assets that do not meet the amortized cost criteria or that meet the criteria but ARKAAN has chosen to designate as 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.

Financial assets at fair value through other comprehensive income (FVOCI)

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- De-recognition of financial assets

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.

Forward looking information

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.

Default

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.

Write-offs

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.

Rescheduling

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 balances at banks

Cash and balances at banks in the consolidated statement of financial position comprise cash on hand, current balances banks and short-term deposits with a maturity of three months or less.

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 and overdraft accounts, if any.

Long-term loans

Loans are initially recorded at fair value less any transaction costs. And subsequently measured at amortized cost using the effective interest rate method. Gains or losses are recognized in the consolidated income statement when the liabilities are derecognized.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated income statement.

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 year.

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:

	Country of incorporation	2025 Non- controlling interests	2024 Non- controlling interests
Jericho gate for real estate investment	Palestine	%25	%25
		U.S. \$ (000's)	U.S. \$ (000's)
		2025	2024
<u>Balance of non-controlling interests in a subsidiary:</u>			
Jericho gate for real estate investment		27,554	23,983
<u>(Losses) profits allocated to non-controlling interests in a subsidiary:</u>			
Jericho gate for real estate investment		(1,429)	483

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 2025 and 2024:

	U.S. \$ (000's)	U.S. \$ (000's)
	Jericho gate for real estate investment	Jericho gate for real estate investment
	2025	2024
Current Assets	36,798	36,586
Non-Current Assets	66,255	62,229
Current Liabilities	(11,054)	(16,910)
Non-Current Liabilities	(7,448)	(11,944)
Total Equity	84,551	69,961

Summarized Income Statement:

	U.S. \$ (000's)	U.S. \$ (000's)
	Jericho gate for real estate investment	Jericho gate for real estate investment
	2025	2024
Revenues from sale of land and development rights	941	7,592
Cost of land and development rights sold	(863)	(3,539)
Sales return, net	(2,064)	-
	(1,986)	4,053
General and administrative expenses	(1,851)	(1,336)
Interest revenues	1,587	2,350
Expected credit losses	(2,691)	(1,690)
Impairment losses of properties under development	(1,275)	-
Other revenues (expenses), net	164	(533)
(Loss) profit for the year before income tax	(6,052)	2,844
Income tax expense	(16)	(912)
(Loss) profit for the year	(6,068)	1,932
Other comprehensive income items	-	-
Net comprehensive income for the year	(6,068)	1,932

Summarized cash flow information for the year ended 31 December 2025 and 2024:

	U.S. \$ (000's)	U.S. \$ (000's)
	Jericho gate for real estate investment	Jericho gate for real estate investment
	2025	2024
Operating activities	(549)	3,950
Investing activities	(18,436)	(6,175)
Financing activities	18,464	3,428
(Decrease) increase in cash and cash equivalents	(521)	1,203

5. Property, plant, and equipment

	Leasehold improvements	Machinery and equipment	Furniture and decoration	Wells	Right Of Use- Building	Right Of Use- Cars	Total
	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)
2025							
Cost							
Balance as at 1 January 2025	1,002	188	65	216	205	133	1,809
Additions	-	5	2	-	-	-	7
Disposals	-	(5)	-	-	(205)	-	(210)
Balance as at 31 December 2025	<u>1,002</u>	<u>188</u>	<u>67</u>	<u>216</u>	<u>-</u>	<u>133</u>	<u>1,606</u>
Accumulated depreciation and amortization							
Balance as at 1 January 2025	735	157	52	214	113	51	1,322
Depreciation and amortization	74	12	6	2	21	36	151
Disposals	-	(2)	-	-	(134)	-	(136)
Balance as at 31 December 2025	<u>809</u>	<u>167</u>	<u>58</u>	<u>216</u>	<u>-</u>	<u>87</u>	<u>1,337</u>
Net carrying value							
As at 31 December 2025	<u><u>193</u></u>	<u><u>21</u></u>	<u><u>9</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>46</u></u>	<u><u>269</u></u>

	Leasehold improvements	Machinery and equipment	Furniture and decoration	Wells	Right Of Use- Building	Right Of Use- Cars	Total
	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)
2024							
Cost							
Balance as at 1 January 2024	1,002	188	65	216	205	101	1,777
Additions	-	-	-	-	-	32	32
Balance as at 31 December 2024	<u>1,002</u>	<u>188</u>	<u>65</u>	<u>216</u>	<u>205</u>	<u>133</u>	<u>1,809</u>
Accumulated depreciation and amortization							
Balance as at 1 January 2024	655	144	46	198	72	17	1,132
Depreciation and amortization	80	13	6	16	41	34	190
Balance as at 31 December 2024	<u>735</u>	<u>157</u>	<u>52</u>	<u>214</u>	<u>113</u>	<u>51</u>	<u>1,322</u>
Net carrying value							
As at 31 December 2024	<u><u>267</u></u>	<u><u>31</u></u>	<u><u>13</u></u>	<u><u>2</u></u>	<u><u>92</u></u>	<u><u>82</u></u>	<u><u>487</u></u>

6. Investment properties

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

	<u>2025</u>	<u>2024</u>
	U.S. \$ (000's)	U.S. \$ (000's)
Balance, beginning of the year	75,243	73,800
Additions during the year	950	1,443
Investments properties sold*	(15)	-
Impairment losses of investments properties**	<u>76,178</u>	<u>75,243</u>
Balance, end of the year	<u>(39,303)</u>	<u>(33,230)</u>
	<u>36,875</u>	<u>42,013</u>

* During the year, Jerusal for real estate investment (a subsidiary) sold part of its real estate investments, resulting in a profit of U.S. \$ 80,000, which was recorded in the consolidated income statement.

** Following is a summary of the movement on Impairment losses of investment properties:

	<u>2025</u>	<u>2024</u>
	U.S. \$ (000's)	U.S. \$ (000's)
Balance, beginning of the year	33,230	12,730
Additions during the year	<u>6,073</u>	<u>20,500</u>
Balance, end of the year	<u>39,303</u>	<u>33,230</u>

As a result of the war on Gaza Strip and as shown in Note (37), Jerusal for real estate investment (a subsidiary) recorded a provision on the investments properties it owns in the Gaza Strip with an amount of U.S. \$ 20,000,000 and U.S. \$ 7,000,000 during the years 2024 and 2023, respectively. Thus, the total value of exposures of ARKAAN in the Gaza Strip amounted to U.S. \$ 27,000,000 is fully provisioned for.

According to the reports of professional real estate appraisers, the fair value of Investment properties (except for real estate investments in Gaza Strip, since Jerusal for real estate investment (a subsidiary) was unable to estimate their value in light of the current circumstances) amounted to U.S. \$ 93,935,000 and U.S. \$ 95,256,000 as at 31 December 2025 and 31 December 2024, respectively.

7. Properties under development

This item represents Jericho Gate for real estate investment (a subsidiary) projects on development and subdivision of land 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.

The movement on properties under development account was as follows:

	2025	2024
	U.S. \$	U.S. \$
	(000's)	(000's)
Balance, beginning of the year	68,703	50,227
Additions during the year *	22,165	20,626
Sales return during the year	386	-
Properties under development sold	(863)	(2,150)
Write-off properties under development **	(1,275)	-
Balance, end of the year	<u>89,116</u>	<u>68,703</u>

* This item includes undeveloped land acquired by Jericho Gate Real Estate Investment Company (a subsidiary) from some real estate developers for an amount of U.S. \$ 12,372,000 and U.S. \$13,132,000, as at 31 December 2025 and 31 December 2024, respectively. In order to collect due amounts from them. Thus, the total value of the undeveloped lands that were reacquired for the same reasons amounts to U.S. \$ 25,504,000 until as at 31 December 2025.

** During the year, Jericho Gate Real Estate Investment Company (a subsidiary) recorded an Impairment loss of properties under development against part of properties under development, this item represents the payments that the company incurred in prior years until the date of derecognition. and it was written off during the year.

According to the reports of professional real estate appraisers, Arkaan's management estimates the fair value of unsold land amounted to U.S. \$ 194,435,000 and U.S. \$ 172,000,000 as at 31 December 2025 and 31 December 2024, respectively. While the fair value of unsold properties according to reports from certified appraisers, amounted to U.S. \$ 1,224,000 as at 31 December 2025.

Properties under development includes the following as at 31 December 2025 and 2024:

	2025	2024
	U.S. \$	U.S. \$
	(000's)	(000's)
Land, properties, Land processing costs, road network and infrastructure work	153,266	134,084
Studies and consultants	6,062	5,575
Finance costs	1,417	1,142
Others	1,581	635
	<u>162,326</u>	<u>141,436</u>
Sold properties under development	<u>(73,210)</u>	<u>(72,733)</u>
	<u>89,116</u>	<u>68,703</u>

8. Land and properties held for sale

	2025	2024
	U.S. \$	U.S. \$
	(000's)	(000's)
Balance, beginning of the year	6,549	-
Additions*	2,216	6,549
Balance, end of the year	<u>8,765</u>	<u>6,549</u>

* During the year, Jericho Gate Real Estate Investment Company (a subsidiary) acquired fully developed land and properties from real estate developers for an amount of U.S. \$ 2,216,000 and U.S. \$ 6,549,000 as at 31 December 2025 and 31 December 2024, respectively. In order to collect due amounts from developers. Thus, the total value of

the fully developed lands that were reacquired for the same reasons amounts to U.S. \$ 8,765,000 as at 31 December 2025.

The fair value of the land held for sale, according to reports from certified appraisers, amounted to U.S. \$ 11,525,000 and U.S. \$ 8,185,000 as at 31 December 2025 and 31 December 2024, respectively. While the fair value of unsold properties held for sale according to reports from certified appraisers, amounted to U.S. \$ 1,071,000 as at 31 December 2025.

9. Financial assets at amortized cost

During the year 2024, ARKAAN has invested U.S. \$ 10,000,000 managed through a local company and bear a minimum annual interest rate of 5.5% recalculated monthly and payable every six months based on the signed agreement between the two parties on 9 July 2024. Expected credit losses on this investment amounted to U.S. \$ 306,000 as at 31 December 2024. A return on this investment of U.S. \$ 98,000 and U.S. \$ 199,000 was recorded during the years ended 31 December 2025, and 31 December 2024, respectively under investment returns from financial assets at amortized cost.

During the year 2025 the full invested amount was received, including the accrued investment income, and the expected credit losses recorded on this investment were reversed.

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:

	2025	2024
	U.S. \$	U.S. \$
	(000's)	(000's)
Quoted shares in regional financial markets	278,691	183,294
Quoted shares in local financial markets	41,619	27,087
Un-Quoted shares in financial markets	1,837	1,847
	<u>322,147</u>	<u>212,228</u>

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

	2025	2024
	U.S. \$	U.S. \$
	(000's)	(000's)
Balance, beginning of the year	212,228	199,828
Additions	7,769	822
Change in fair value	102,150	11,578
Balance, end of the year	<u>322,147</u>	<u>212,228</u>

Movement on the fair value reserve was as follows:

	<u>2025</u>	<u>2024</u>
	U.S. \$ (000's)	U.S. \$ (000's)
Balance, beginning of the year	22,242	10,664
Gains from valuation of financial assets at fair value through other comprehensive income	<u>102,150</u>	<u>11,578</u>
Balance, end of the year	<u><u>124,392</u></u>	<u><u>22,242</u></u>

The cash dividends from financial assets at fair value through other comprehensive income amounted to U.S. \$ 13,930,000 and U.S. \$ 10,830,000 for the years 2025, and 2024, respectively.

B) Financial assets at fair value through profit or loss

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

	<u>2025</u>	<u>2024</u>
	U.S. \$ (000's)	U.S. \$ (000's)
Quoted shares in regional financial markets	34,086	22,628
Quoted shares in local financial markets	937	251
	<u><u>35,023</u></u>	<u><u>22,879</u></u>

Following is the movement financial assets at fair value through profit or loss account:

	<u>2025</u>	<u>2024</u>
	U.S. \$ (000's)	U.S. \$ (000's)
Balance, beginning of the year	22,879	23,634
Additions during the year	511	205
Change in fair market value	<u>11,633</u>	<u>(960)</u>
Balance, end of the year	<u><u>35,023</u></u>	<u><u>22,879</u></u>

Cash dividends from financial assets at fair value through profit or loss amounted to U.S. \$ 1,929,000 and U.S. \$ 1,500,000 for the years 2025 and 2024, respectively.

Gain from the change in fair value of financial assets at fair value through profit or loss amounted to U.S. \$ 11,633,000 for the year 2025, while the loss from the change in the fair value of financial assets through profit or loss amounted to U.S. \$ 960,000 for the year 2024.

11. Other non-current assets

	<u>2025</u>	<u>2024</u>
	U.S. \$ (000's)	U.S. \$ (000's)
Due from the Palestinian Telecommunications Company (PALTEL) (Note 13)	16,547	-
Long-term receivables (Note 12)	<u>4,436</u>	<u>20,312</u>
	20,983	20,312
Provision for expected credit losses *	<u>(306)</u>	<u>-</u>
	<u><u>20,677</u></u>	<u><u>20,312</u></u>

* Following is the movement on the provision for expected credit losses:

	2025	2024
	U.S. \$	U.S. \$
	(000's)	(000's)
Balance, beginning of the year	-	-
Additions during the year	306	-
Balance, end of the year	<u>306</u>	<u>-</u>

12. Accounts receivable

	2025	2024
	U.S. \$	U.S. \$
	(000's)	(000's)
Trade receivables	8,159	198
Checks under collection	25,481	60,830
	33,640	61,028
Provision for expected credit losses*	<u>(18,897)</u>	<u>(16,206)</u>
	<u>14,743</u>	<u>44,822</u>
Long-term receivables recorded under other non-current assets item (Note 11)	<u>(4,436)</u>	<u>(20,312)</u>
Short-term accounts receivable	<u>10,307</u>	<u>24,510</u>

* Following is the movement on the provision for expected credit losses:

	2025	2024
	U.S. \$	U.S. \$
	(000's)	(000's)
Balance, beginning of the year	16,206	14,516
Additions during the year	2,691	1,690
Balance, end of the year	<u>18,897</u>	<u>16,206</u>

The Jericho Gate Real Estate Investment Company (a subsidiary) obtains guarantees against sold land and other guarantees against some of these receivables. As a guarantee, ownership of sold properties is not transferred to buyer until the receivables are settled in full.

13. Other Current Assets

	2025	2024
	U.S. \$ (000's)	U.S. \$ (000's)
Advances to suppliers	12,663	1,419
Due from Value Added Tax department	3,059	1,846
Accrued interest revenues	203	363
Loan for Al-Mashtal company	187	187
Due from related parties	29	-
Due from the Palestinian Telecommunications Company (PALTEL) (Note 11)*	-	15,673
Income tax advances (Note 22)	-	16
Accrued dividend income	-	97
Accrued investment income	-	199
Others	1,719	924
	<u>17,860</u>	<u>20,724</u>
Provision for expected credit losses	(187)	(187)
	<u>17,673</u>	<u>20,537</u>

* During the year, an agreement was reached with Paltel to extend the repayment period for the amounts due to ARKAAN till 30 June 2027. Accordingly, these amounts were classified under other non-current Assets (Note 11).

14. Cash and deposits at banks

	2025	2024
	U.S. \$ (000's)	U.S. \$ (000's)
Cash in hand and current accounts at banks	1,402	2,201
Deposits in banks maturing within 3 months	9,354	4,438
Deposits in banks maturing in more than 3 months	17,564	15,905
	<u>28,320</u>	<u>22,544</u>
provision for expected credit losses *	(108)	-
	<u>28,212</u>	<u>22,544</u>

Following is the movement on the provision for expected credit losses:

	2025	2024
	U.S. \$ (000's)	U.S. \$ (000's)
Balance, beginning of the year	-	-
Additions during the year	108	-
Balance, end of the year	<u>108</u>	<u>-</u>

Time deposits represent deposits in US dollars and Jordanian dinars. The interest rate during the year 2025 on existing deposits as at 31 December 2025, was 4.19% for US dollars and 4.51% for Jordanian dinars, respectively. The interest rate during the year 2024 on existing deposits as at 31 December 2024, was 4.7% for US dollars and 5.16% for Jordanian dinars, respectively.

For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise the following:

	<u>2025</u>	<u>2024</u>
	U.S. \$ (000's)	U.S. \$ (000's)
Cash in hand and current accounts at banks	28,320	22,544
Deposits in banks maturing in more than 3 months	(17,564)	(15,905)
Restricted cash	(5)	(5)
Overdraft account (Note 21)	(1,934)	(1,939)
Cash and cash equivalents	<u>8,817</u>	<u>4,695</u>

15. Statutory Reserve

Statutory reserve represents amounts deducted from the accumulated profits in accordance with the Companies' Law. Deductions from profits may not cease before the accumulated balance of the statutory reserve account reaches the minimum amount stipulated in applicable legislation.

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:

	<u>2025</u>	<u>2024</u>
	U.S. \$ (000's)	U.S. \$ (000's)
Balance, beginning of the year	10,308	38,627
Additions for the year	1,007	-
Returns*	(4,043)	(20,727)
Realized unearned revenues	(956)	(7,592)
Balance, end of the year	<u>6,316</u>	<u>10,308</u>

Following are the unearned revenues details:

	<u>2025</u>	<u>2024</u>
	U.S. \$ (000's)	U.S. \$ (000's)
Short Term	4,400	-
Long-Term	1,916	10,308
	<u>6,316</u>	<u>10,308</u>

* Jericho Gate Real Estate Investment Company (a subsidiary) acquired undeveloped land parcels from some real estate developers with the aim of collecting amounts due from them. This resulted in a reduction in the unearned revenue related to the re-acquired land amounting to U.S. \$ 4,043,000 and U.S. \$ 20,727,000 as 000 as at 31 December 2025, and 31 December 2024, respectively.

17. Deferred Tax Liabilities

The movement on deferred tax liabilities account was as follows:

	<u>2025</u>	<u>2024</u>
	U.S. \$	U.S. \$
	(000's)	(000's)
Balance, beginning of the year	3,761	3,761
Amortization of deferred tax liabilities (Note 22)	61	-
Balance, end of the year	<u>3,822</u>	<u>3,761</u>

18. Provision for employees' indemnity

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 account:

	<u>2025</u>	<u>2024</u>
	U.S. \$	U.S. \$
	(000's)	(000's)
Balance, beginning of the year	350	337
Additions	189	90
Allocated on properties under development	17	43
Paid during the year	(137)	(120)
Balance, end of the year	<u>419</u>	<u>350</u>

19. Other Non-Current Liabilities

	<u>2025</u>	<u>2024</u>
	U.S. \$	U.S. \$
	(000's)	(000's)
Unpaid accrued expenses	711	711
Long- term lease liabilities *	17	105
Others	248	249
	<u>976</u>	<u>1,065</u>

* The following table represents the book value and movement for lease liabilities during the years ended 31 December 2025 and 2024:

	<u>2025</u>	<u>2024</u>
	U.S. \$	U.S. \$
	(000's)	(000's)
Balance, beginning of the year	193	240
Additions	-	32
Termination of lease contracts	(75)	-
Finance costs	8	13
Payments	(69)	(92)
Balance, end of the year	<u>57</u>	<u>193</u>

Details of lease liabilities as follows:

	2025	2024
	U.S. \$ (000's)	U.S. \$ (000's)
Short Term (Note 23)	40	88
Long-Term	17	105
	<u>57</u>	<u>193</u>

20. Accounts Payable

	2025	2024
	U.S. \$ (000's)	U.S. \$ (000's)
Contractors' payables	1,989	1,354
Trade payables	632	239
Due to related parties	182	389
	<u>2,803</u>	<u>1,982</u>

21. Credit facilities and long-term loans

	2025	2024
	U.S. \$ (000's)	U.S. \$ (000's)
Overdraft account	1,934	1,939
Loans	1,446	3,624
	<u>3,380</u>	<u>5,563</u>

Details of long-term loans and credit facilities are as follows:

	2025	2024
	U.S. \$ (000's)	U.S. \$ (000's)
Short-Term	3,315	4,222
Long-Term	65	1,341
	<u>3,380</u>	<u>5,563</u>

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. As at 31 December 2025, the utilized balance of the current financial ceiling, including the overdraft current account, amounted to U.S. \$3,380,000 as at 31 December 2025 and 5,563,000 as at 31 December 2024.

Loans and credit facilities maturities are as follows:

	U.S. \$ (000's)
Due in 2026	3,315
Due in 2027	65
	<u>3,380</u>

22. Provision for income tax

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

	2025	2024
	U.S. \$ (000's)	U.S. \$ (000's)
Balance, beginning of the year	(16)	(930)
Additions	335	1,171
Discount on prepaid tax advances	(5)	(4)
Payments of income tax	(68)	(281)
Currency difference	(32)	28
Balance, end of the year	214	(16)
Net advances recorded in other current assets (Note 13)	-	16
	<u>214</u>	<u>-</u>

During the year 2024, ARKAAN reached a final settlement with the Income Tax Department for the results of its operations for the year 2023, it did not result in recording any additional tax provision. ARKAAN submitted its tax returns for its operations result for the year 2024 ARKAAN's tax consultant is pursuing issuing final tax settlements. During the year, Jerusal for real estate investment (a subsidiary) has reached a final settlement with the Income Tax Department for the results of its operations for the years from 2021 to 2023. It did not result in recording any additional tax provision. Subsequent to the consolidated financial statements date Jerusal for real estate investment (a subsidiary) has reached a final settlement with the Income Tax Department for the results of its operations for the year 2024. It did not result in recording any additional tax provision

Up until the date of these consolidated financial statements, Jericho Gate Company (a subsidiary) has not reached a final settlement with the Income Tax Department regarding its results for the years 2024 and 2023.

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

	2025	2024
	U.S. \$ (000's)	U.S. \$ (000's)
Income tax expense for the year	335	1,171
Amortization of deferred tax liabilities (Note 17)	61	-
Discount on prepaid tax advances	(5)	(4)
	<u>391</u>	<u>1,167</u>

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

	2025	2024
	U.S. \$ (000's)	U.S. \$ (000's)
Gain (loss) for the year before income tax	16,426	(5,421)
Non-taxable profits	(28,669)	(12,559)
Nondeductible expenses	13,097	25,429
Taxable income	854	7,449
Income tax expense	128	1,117
Accrued income tax by ARKAAN	335	1,171
Applicable income tax rate	<u>%15</u>	<u>15%</u>

23. Other current liabilities

	2025	2024
	U.S. \$	U.S. \$
	(000's)	(000's)
Unpaid accrued expenses	879	814
Accrued costs on properties under development	299	299
Post-dated checks	215	496
Short-Term lease liabilities (Note 19)	40	88
Vacations provision	34	44
Other provisions	3,149	2,353
	<u>4,616</u>	<u>4,094</u>

24. Sale of land and development rights

During the year 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 year ended 31 December 2025				
	U.S. \$				
	(000's)				
	Sales revenue	Sales Discount	Cost of sales*	Sales return, net	Gross profit (loss)
Housing	956	(15)	(863)	-	78
Mixed use	-	-	-	(1,656)	(1,656)
	<u>956</u>	<u>(15)</u>	<u>(863)</u>	<u>(1,656)</u>	<u>(1,578)</u>

	For the year ended 31 December 2024			
	U.S. \$			
	(000's)			
	Sales revenue	Sales Discount	Cost of sales	Gross Profit
Housing	7,866	(293)	(3,526)	4,047
Commercial	5	-	(5)	-
Mixed use	14	-	(8)	6
	<u>7,885</u>	<u>(293)</u>	<u>(3,539)</u>	<u>4,053</u>

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

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

According to the revenue recognition time:

	<u>2025</u>	<u>2024</u>
	U.S. \$ (000's)	U.S. \$ (000's)
Over a period of time	941	7,592
	<u>941</u>	<u>7,592</u>

25. Interest revenues

	<u>2025</u>	<u>2024</u>
	U.S. \$ (000's)	U.S. \$ (000's)
Interest on deposits at banks	1,382	976
Interest revenue from discounting checks*	1,275	2,350
Interest on current account with Paltel	882	1,028
	<u>3,539</u>	<u>4,354</u>

* Revenues from the sale of land and development rights were initially recognized at fair value and were discounted using the market borrowing rate. Adjusting the fair value of receivables due from developers resulted in interest income with amount of U.S. \$1,275,000 and 2,350,000 for the years ended 31 December 2025 and 31 December 2024 respectively.

26. Operating and administrative expenses

	<u>2025</u>	<u>2024</u>
	U.S. \$ (000's)	U.S. \$ (000's)
Payroll and related employees' benefits	1,181	900
Board of directors expenses	442	513
Professional and consultancy fees	352	349
Fees and subscriptions	192	106
Advertising and marketing	167	105
Donations and sponsorships	160	9
Depreciation and amortization	151	190
Electricity, water and services	141	172
Security and cleaning expense	86	97
Maintenance	70	50
Transportation	42	40
Insurance expense	38	38
Banks commissions	10	6
Other	116	64
	<u>3,148</u>	<u>2,639</u>

27. Provision for expected credit loss

	<u>2025</u>	<u>2024</u>
	U.S. \$ (000's)	U.S. \$ (000's)
Provision for expected credit loss on accounts receivable (Note 12)	2,691	1,690
Provision for expected loss on other non-current assets (Note 11)	306	-
Provision for expected credit loss on cash and deposit at banks (Note 14)	108	-
Expected credit loss (recovery) provision on financial assets at amortized cost (Note 9)	(306)	306
	<u>2,799</u>	<u>1,996</u>

28. Other revenues (expenses), net

	<u>2025</u>	<u>2024</u>
	U.S. \$ (000's)	U.S. \$ (000's)
Foreign exchange profits (losses)	754	(25)
Gains from sale of property, plant, and equipment	5	-
Others, net	(669)	(237)
	<u>90</u>	<u>(262)</u>

29. Basic and diluted gain (loss) for the year per share

Basic and diluted gain (loss) for the year per share was as follows:

	<u>2025</u>	<u>2024</u>
Gain (loss) for the year attributable to the shareholders of the parent (U.S. \$)	<u>17,464,000</u>	<u>(7,071,000)</u>
Weighted average number of subscribed share capital (Shares)	<u>131,625,000</u>	<u>131,625,000</u>
Basic and diluted gain (loss) per share (U.S. \$)	<u>0.133</u>	<u>(0.054)</u>

30. 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 2025:

	Fair Value Measurement using			
	Total	Trading Prices	Observable	Unobservable
		in active	data	data
		market	(The second	(The third
(The first	level)	level)	level)	
U.S. \$	U.S. \$	U.S. \$	U.S. \$	
(000's)	(000's)	(000's)	(000's)	
<u>Assets measured at fair value:</u>				
Financial assets at fair value through other comprehensive income items:				
- Quoted	320,310	320,310	-	-
- Unquoted	1,837	-	-	1,837
Financial assets at fair value through profit or loss				
- Quoted	35,023	35,023	-	-
<u>Assets for which fair values are disclosed</u>				
Investment properties	93,935	-	-	93,935
Properties under development	195,659	-	-	195,659
Land and properties held for sale	12,596	-	-	12,596

The following table shows the fair value measurement hierarchy of financial assets as at 31 December 2024:

	Fair Value Measurement using			
	Total	Trading Prices	Observable	Unobservable
		in active	data	data
		market	(The second	(The third
(The first	level)	level)	level)	
U.S. \$	U.S. \$	U.S. \$	U.S. \$	
(000's)	(000's)	(000's)	(000's)	
<u>Assets measured at fair value:</u>				
Financial assets at fair value through other comprehensive income items:				
- Quoted	210,381	210,381	-	-
- Unquoted	1,847	-	-	1,847
Financial assets at fair value through profit or loss				
- Quoted	22,879	22,879	-	-
Financial assets at amortized cost	9,694	-	-	9,694
<u>Assets for which fair values are disclosed</u>				
Investment properties	95,256	-	-	95,256
Properties under development	172,000	-	-	172,000
Land and properties held for sale	8,185	-	-	8,185

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	Financial assets at fair value through other comprehensive income
	2025	2024
	U.S. \$ (000's)	U.S. \$ (000's)
Balance, beginning of the year	1,847	1,878
Change in fair value	(10)	(31)
Balance, end of the year	<u>1,837</u>	<u>1,847</u>

The following are key assumptions used to determine the fair value of investment properties, properties under development, land, and properties held for sale:

Regarding land and properties, external appraisers are involved to evaluate the fair value of investment properties, properties under development, land, and properties held for sale 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, in addition to the fair value of the properties constructed on the land, as this relates to the valuation of properties held for sale.

The fair value of financial assets and liabilities:

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

	Carrying amount		Fair Value	
	2025 U.S. \$ (000's)	2024 U.S. \$ (000's)	2025 U.S. \$ (000's)	2024 U.S. \$ (000's)
Financial assets				
Financial assets at fair value through other comprehensive income	322,147	212,228	322,147	212,228
Financial assets at fair value through profit or loss	35,023	22,879	35,023	22,879
Accounts receivable	14,743	44,822	14,743	44,822
Financial assets at amortized cost	-	9,694	-	9,694
Other financial assets	21,251	19,102	21,251	19,102
Cash and deposits at banks	28,212	22,544	28,212	22,544
	<u>421,376</u>	<u>331,269</u>	<u>421,376</u>	<u>331,269</u>
Financial Liabilities				
Accounts payable	2,803	1,982	2,803	1,982
Lease liabilities	57	193	57	193
Credit facilities and long-term loans	3,380	5,563	3,380	5,563
Other financial liabilities	2,352	2,569	2,352	2,569
	<u>8,592</u>	<u>10,307</u>	<u>8,592</u>	<u>10,307</u>

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

- The fair values of accounts receivable (except for long-term accounts receivable), other current assets, cash and deposits at banks, accounts payable and other current liabilities approximate their carrying amounts due to the short-term maturity of these instruments.
- The fair value of long-term lease liabilities, long-term accounts receivable, credit facilities and long-term loans were estimated by discounting the expected cash flows using the same interest rates for items with similar terms and risk characteristics.
- The fair value of quoted financial assets at fair value through profit or loss and quoted financial assets at fair value through other comprehensive income is determined based on their price quotations at the reporting date.
- The fair value of unquoted financial assets at fair value is determined using appropriate valuation methods
- The fair value of the financial assets at amortized cost is estimated by discounting future cash flows using rates currently available for debt on similar terms and credit risk

31. Related parties

Related parties represent all balances and transactions with related parties which represent major shareholders, members of Board of directors and key management personnel, 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 as at 31 December 2025, and 2024:

		2025	2024
		U.S. \$ (000's)	U.S. \$ (000's)
Other current assets	Company invested in by major shareholders	2	15,673
Financial assets at amortized cost	Investment managed by a related party	-	9,694
Other non- current assets	Company invested in by major shareholders	16,547	-
Other current assets	A major shareholder's subsidiaries	27	-
Non-controlling interests	Major shareholder	27,554	23,983
Accounts payable	Board members	149	175
Accounts payable	Company invested in by major shareholders	33	19
Accounts payable	A major shareholder's subsidiaries	-	195
Other current assets	Investment managed by a related party	-	199

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

		2025	2024
		U.S. \$	U.S. \$
	Nature of relationship	(000's)	(000's)
Interest revenue	Company invested in by major shareholders	882	1,028
Investment return	Investment managed through related party	98	199
		2025	2024
		U.S. \$	U.S. \$
		(000's)	(000's)
Key management's share of salaries and related benefits		284	360
Key management's share of employees' indemnity expense		113	24
Board of Directors' expenses		442	513

32. Risk management

ARKAAN's financial liabilities comprise credit facilities and long-term loans, 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
	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
31 December 2025				
Investment in securities	-	35,023	322,147	357,170
Accounts receivable	14,743	-	-	14,743
Cash and deposits at banks	28,212	-	-	28,212
Other financial assets	21,251	-	-	21,251
	<u>64,206</u>	<u>35,023</u>	<u>322,147</u>	<u>421,376</u>
	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
31 December 2024				
Investment in securities	-	212,228	22,879	235,107
Financial assets at amortized costs	9,694	-	-	9,694
Accounts receivable	44,822	-	-	44,822
Cash and deposits at banks	22,544	-	-	22,544
Other financial assets	19,102	-	-	19,102
	<u>96,162</u>	<u>212,228</u>	<u>22,879</u>	<u>331,269</u>

All financial liabilities as at 31 December 2025, and 2024, have been classified at amortized cost.

The main risks arising from ARKAAN's financial instruments are credit risk, interest rate risk, foreign currency risk, equity price 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 as disclosed in (Note 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 financial assets, 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
	<u>%</u>	<u>U.S. \$ (000's)</u>
2025		
Israeli shekel	10	613
2024		
Israeli shekel	10	628

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>%</u>	<u>U.S. \$ (000's)</u>	<u>U.S. \$ (000's)</u>
2025			
Quoted	+10	32,031	3,502
Unquoted	+10	184	-
2024			
Quoted	+10	21,038	2,288
Unquoted	+10	185	-

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 2025 and 2024, 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 2025					
Credit facilities and long-term loans	2,485	873	66	-	3,424
Accounts payable	2,803	-	-	-	2,803
Lease Liabilities	14	30	23	-	67
Other financial liabilities	2,352	-	-	-	2,352
	<u>7,654</u>	<u>903</u>	<u>89</u>	<u>-</u>	<u>8,646</u>
31 December 2024					
Credit facilities and long-term loans	2,458	1,961	1,378	-	5,797
Accounts payable	1,982	-	-	-	1,982
Lease Liabilities	22	86	107	-	215
Other financial liabilities	2,569	-	-	-	2,569
	<u>7,031</u>	<u>2,047</u>	<u>1,485</u>	<u>-</u>	<u>10,563</u>

33. Contractual commitments and contingent liabilities

As at 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 represents 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:

	2025	2024
	U.S. \$ (000's)	U.S. \$ (000's)
Unpaid portion of the contractual contracts	13,025	10,581
Unpaid portion of the consultation contracts	391	240
	<u>13,416</u>	<u>10,821</u>

Within the normal business activity of ARKAAN, ARKAAN appears as a defendant in several cases brought against it regarding the legal ownership of some land 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.

34. 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 year ended in 31 December 2025:

	Real estate development and investment	Financial investment	Eliminations	Total
31 December 2025	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
Revenues				
Revenues from external parties	941	-	-	941
Cash dividends income from financial investments	-	15,859	-	15,859
Gains from financial assets at fair value through profit or loss	-	11,633	-	11,633
Gain from sale of investments properties, net	80	-	-	80
Investment returns	-	98	-	98
Segment revenues	<u>1,021</u>	<u>27,590</u>	<u>-</u>	<u>28,611</u>
Results of operations				
Segment's (loss) profit before tax	(11,640)	28,066	-	16,426
Other information				
Cost of land and development rights sold	(863)	-	-	(863)
Sales return, net	(1,656)	-	-	(1,656)
Capital expenditures	<u>(23,119)</u>	<u>(3)</u>	<u>-</u>	<u>(23,122)</u>
Interest revenues	<u>1,587</u>	<u>2,023</u>	<u>(71)</u>	<u>3,539</u>

The following table represents revenues, profit before tax, and other segment information regarding ARKAAN's operating segments for the year ended in 31 December 2024:

	Real estate development and investment	Financial investment	Eliminations	Total
31 December 2024	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
Revenues				
Revenues from external parties	7,592	-	-	7,592
Cash dividends income from financial investments	-	12,330	-	12,330
Losses from financial assets at fair value through profit or loss	-	(960)	-	(960)
Investments returns	-	199	-	199
Segment revenues	<u>7,592</u>	<u>11,569</u>	<u>-</u>	<u>19,161</u>
Results of operations				
Segment's (loss) profit before tax	(17,407)	11,986	-	(5,421)
Other information				
Cost of land and development rights sold	(3,539)	-	-	(3,539)
Capital expenditures	<u>(8,937)</u>	<u>-</u>	<u>-</u>	<u>(8,937)</u>
Interest revenues	<u>2,350</u>	<u>2,292</u>	<u>(288)</u>	<u>4,354</u>

The following table represents the assets and liabilities of ARKAAN's business segments as at 31 December 2025 and 2024:

	Real estate development and investment	Financial investment	Eliminations	Total
	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
31 December 2025				
Segments' assets	196,120	736,825	(363,881)	569,064
Segments' liabilities	66,668	18,785	(62,907)	22,546
	Real estate development and investment	Financial investment	Eliminations	Total
	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)	U.S. \$ (000's)
31 December 2024				
Segments' assets	179,409	625,741	(354,694)	450,456
Segments' liabilities	44,114	8,399	(25,390)	27,123

35. 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. ARKAAN has not made any amendments to the objectives, policies and procedures related to capital structure in the past two years ending on 31 December 2025, and 2024. Capital comprises paid-in share capital, additional paid-in capital, other reserves, retained earnings (accumulated losses) and non-controlling interests with a total of U.S. \$ 546,518,000 as at 31 December 2025 against U.S. \$ 423,333,000 as at 31 December 2024.

36. 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.

37. The War on Gaza Strip

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

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

- The total value of ARKAAN's exposures in Gaza Strip as at 31 December 2025 amounted to U.S. \$ 27,000,000, and the impairment losses recorded by management against these investments in previous periods amounted to U.S. \$27,000,000, thus, the total value of ARKAAN's exposures in the Gaza Strip is fully provisioned. Management believes that, due to the continued repercussions of the war on the Gaza Strip, there are significant doubts regarding the recoverability of these investments or the realization of any future economic benefits from them. Management will continue to assess the situation based on future developments.

- The impact on macroeconomic factors used to measure expected credit losses and an increased likelihood of defaults, leading to the recording of additional expected credit losses on ARKAAN 's financial assets amounted to U.S. \$ 2,691,000 for the year 2025 and 1,690,000 for the year 2024 (Note 12).

The effects of the current situation remain unclear and depend on future developments that cannot be accurately predicted at this time. ARKAAN is continuously monitoring and analyzing the situation and assessing the impact of future developments on its future financial results and cash flows. Management believes that there are no significant doubts regarding ARKAAN and its subsidiary's ability to continue its operations in the future.

38. Subsequent Events

At the beginning of 2026, the Middle East region experienced a military escalation, which led to a state of instability and increased security tensions. This has led to air and maritime traffic disruptions in the region and market volatilities.

Management will continue to closely monitor developments and assess the impact of these conditions on ARKAAN's operational activities and future financial results.