PALESTINE TELECOMMUNICATIONS COMPANY P.L.C.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

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

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

Building a better working world

Independent auditor's report
To the Shareholders of Palesine Telecommunication Company

Opinion

We have audited the consolidated financial statements of Palestine Telecommunication Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note (5) to the accompanying consolidated financial statements, during the year, PALTEL has established a new Company (Arkaan Real Estate Company) and transferred real estate assets and investment portfolio to it on June 30, 2022. The value of net assets transferred to Arkaan amounted to approximately JD 273 million. The transfer was made by granting the shareholders of Palestine Telecommunications Company one share in Arkaan Real Estate Company for each share owned by the shareholder.

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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 threads or safeguards applied.

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

Ernst & Young – Middle East
License # 206/2012

Abdelkarim M.
Ernst + Young

Abdelkarim Mahmoud
License # 101/2017

March 6, 2023
Ramallah - Palestine

Consolidated Statement of Financial Position
December 31, 2022

	Notes	2022 JD '000s	2021 JD '000s
Assets			
Non-current assets			
Property, plant and equipment	6	148,364	126,729
Investment properties	7	-	45,732
Intangible assets	8	166,477	176,791
Properties under development	9	-	43,864
Projects in progress	10	6,622	4,368
Materials inventory	11	22,528	13,370
Investment in associates	12	8,824	25,048
Financial assets at fair value through other comprehensive income	13	2,368	144,936
Other non-current financial assets	14	5,163	35,710
		360,346	616,548
Current assets			
Inventories	15	1,650	1,620
Trade receivables	16	79,110	111,585
Other current assets	17	14,578	18,369
Financial assets at fair value through profit or loss	13	4,666	24,942
Cash and cash equivalents	18	65,053	94,831
		165,057	251,347
Total assets		525,403	867,895
Equity and liabilities			
Equity			
Paid-in share capital	19	131,625	131,625
Statutory reserve	20	32,906	32,906
Voluntary reserve	20	6,756	6,756
Special reserve	20	7,950	7,950
Foreign currency translation reserve		(30)	(176)
Fair value reserve	13	(2,925)	(37,784)
Retained earnings		50,140	348,446
Equity attributable to equity holders of the parent		226,422	489,723
Non-controlling interests		156	20,565
Net Equity		226,578	510,288
Non-current liabilities			
Long-term loans	22	37,168	70,382
Other non-current liabilities	23	56,534	64,070
		93,702	134,452
Current liabilities			
Accounts payable	24	28,649	31,932
Credit Facilities and short-term portion of long-term loans	25	51,725	52,613
Provision for income tax	26	17,746	16,193
Other current liabilities	27	107,003	122,417
		205,123	223,155
Total liabilities		298,825	357,607
Total equity and liabilities		525,403	867,895

Consolidated Income Statement
For the year ended December 31, 2022

	Notes	2022 JD '000s	2021 JD '000s
Continuing operations			
Revenues from contracts with customers	28	308,903	308,581
Cost of sales	29	(48,245)	(48,659)
		260,658	259,922
Operating and administrative expenses	30	(184,130)	(183,765)
Gain from investments	31	924	2,044
Group's share of profits from associates	12	614	1,489
Finance costs	33	(5,743)	(6,508)
Other revenues, net	32	2,461	2,418
Profit before income tax from continuing operations		74,784	75,600
Income tax expense	26	(17,689)	(18,432)
Profit for the year from continuing operations		57,095	57,168
Discontinued operations			
Profit for the year from discontinued operations	5	8,770	10,847
Profit for the year		65,865	68,015
Attributable to:			
Equity holders of the parent		65,244	67,430
Non-controlling interests		621	585
		65,865	68,015
Basic and diluted earnings per share:			
Basic and diluted Profit for the year from continuing operations attributable to equity holders of the parent (JD)	34	0.434	0.434
Basic and diluted Profit for the year from continuing and discontinued operations attributable to equity holders of the parent (JD)	34	0.496	0.512

Consolidated Statement of Comprehensive Income
For the year ended December 31, 2022

	2022	2021
	JD '000s	JD '000s
Profit for the year	65,865	68,015
Other comprehensive income items:		
Items not to be reclassified to the consolidated income statement in subsequent years:		
Net (Losses) profits of financial assets at fair value through other comprehensive income	(3,277)	31,835
Group's share of associates' other comprehensive income	263	511
Items to be reclassified to the consolidated income statement in subsequent years:		
Foreign currency translation differences	146	(114)
Net other comprehensive income items	(2,868)	32,232
Net comprehensive income for the year	62,997	100,247
Attributable to:		
Equity holders of the parent	62,376	99,662
Non-controlling interests	621	585
	62,997	100,247

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

	Attributable to equity holders of the parent									
		Reserves								
	Paid-in share capital	Statutory reserve	Voluntary reserve	Special reserve	Foreign currency translation reserve	Fair value reserve	Retained earnings	Total	Non-controlling interests	Net Equity
	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s
Balance as at January 1, 2022	131,625	32,906	6,756	7,950	(176)	(37,784)	348,446	489,723	20,565	510,288
Profit for the year	-	-	-	-	-	-	65,244	65,244	621	65,865
Other comprehensive income items	-	-	-	-	146	(3,014)	-	(2,868)	-	(2,868)
Net comprehensive income for the year	-	-	-	-	146	(3,014)	65,244	62,376	621	62,997
Transfer from fair value reserve due to sale of financial assets through OCI	-	-	-	-	-	1,317	(1,317)	-	-	-
Transfer from fair value reserve due to transfer of real estate assets and investment portfolio (Note 5)	-	-	-	-	-	36,556	(36,556)	-	-	-
Dividends of Arkaan Real Estate Co. shares due to transfer of real estate assets and investment portfolio (Note 5)	-	-	-	-	-	-	(273,027)	(273,027)	(21,030)	(294,057)
Cash dividends (Note 21)	-	-	-	-	-	-	(52,650)	(52,650)	-	(52,650)
Balance as at December31, 2022	131,625	32,906	6,756	7,950	(30)	(2,925)	50,140	226,422	156	226,578
Balance as at January 1, 2021	131,625	32,906	6,756	7,950	(62)	(70,278)	320,652	429,549	19,483	449,032
Profit for the year	-	-	-	-	-	-	67,430	67,430	585	68,015
Other comprehensive income items	-	-	-	-	(114)	32,346	-	32,232	-	32,232
Net comprehensive income for the Year	-	-	-	-	(114)	32,346	67,430	99,662	585	100,247
Transfer from fair value reserve due to sale of financial assets through OCI	-	-	-	-	-	148	(148)	-	-	-
Acquisition of a subsidiar	-	-	-	-	-	-	-	-	(226)	(226)
Increase in capital of a subsidiary	-	-	-	-	-	-	-	-	723	723
Cash dividends (Note 21)	-	-	-	-	-	-	(39,488)	(39,488)	-	(39,488)
Balance as at December 31, 2021	131,625	32,906	6,756	7,950	(176)	(37,784)	348,446	489,723	20,565	510,288

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	Notes	2022 JD '000s	2021 JD '000s
Operating activities			
Profit before income tax from continuing operations		74,784	75,600
Profit before income tax from discontinued operations		9,613	12,207
Profit before income tax for the year		84,397	87,807
Adjustments for:			
Depreciation and amortization		47,087	48,548
Expected credit losses provision		2,879	5,322
Gain from investments		(5,866)	(9,150)
Group's share of profits from associates' statement		(1,389)	(2,129)
Interest revenue		(4,885)	(7,199)
Losses (gains) from sale of property, plant and equipment		38	(752)
Provision for employees' indemnity		16,581	12,091
Finance costs		5,743	6,508
Other non-cash items		(15,617)	2,993
		128,968	144,039
Changes in Working capital:			
Trade receivables		8,492	(39,429)
Inventories		(30)	798
Other assets		1,767	4,506
Accounts payable		477	(1,152)
Properties under development		4,957	27,683
Other current liabilities		(8,690)	16,442
Income tax payments		(21,220)	(15,406)
Employees' indemnity payments		(20,187)	(1,548)
Net cash flows from operating activities		94,534	135,933
Investing activities			
Purchase of investments in financial securities		-	(264)
Sale of investments in financial securities		35,985	837
Dividends received		6,280	5,805
Collections of granted loans		6,108	20,561
Investment in associates		(5,243)	(1,394)
Investments in subsidiaries		-	(328)
Interest revenue received		1,343	3,367
Purchase of intangible assets		(1,881)	(4,359)
Purchase of investment properties		(12,156)	(1,332)
Sale of Investment properties		-	1,018
Disposal of property, plant and equipment		1,516	3,518
Properties under development		(1,616)	(3,711)
Cash acquired from acquisition of a subsidiary		-	2,510
Net increase in projects in progress, property, plant and equipment and materials		(57,655)	(26,845)
Net cash flows used in investing activities		(27,319)	(617)
Financing activities			
Cash dividends paid		(53,561)	(39,119)
Cash transferred to Arkaan Real Estate Company	5	(8,314)	-
Proceeds from Interest-bearing loans		-	52,383
Repayment of interest-bearing loans		(45,269)	(62,310)
Credit facilities		17,941	(29,493)
Long-term lease liability payments		(2,047)	(2,029)
Finance costs paid		(5,743)	(6,508)
Net cash flows used in financing activities		(96,993)	(87,076)
(Decrease) increase in cash and cash equivalents		(29,778)	48,240
Cash and cash equivalents, beginning of the year	18	94,831	46,591
Cash and cash equivalents, end of the year		65,053	94,831

The attached notes from 1 to 40 form part of these consolidated financial statements

Notes to the Consolidated Financial Statements
December 31, 2022

1. Corporate information

Palestine Telecommunications Company P.L.C. (PALTEL) is a limited liability public shareholding company registered and incorporated in Nablus - Palestine on August 2, 1995. PALTEL commenced its operations on January 1, 1997. PALTEL operates under the Telecommunication Law No. (3) of 1996 decreed by the Palestinian National Authority (PNA), and the license granted by the Ministry of Telecommunication and Information Technology (MTIT).

PALTEL is mainly engaged in providing, managing, and selling Telecommunications services in the Palestinian territories.

The consolidated financial statements of Palestine Telecommunications Company P.L.C. for the year ended December 31, 2022, were authorized for issuance in accordance with a resolution of the Board of Directors on March 1, 2023.

2. Consolidated Financial Statements

The consolidated financial statements comprise the financial statements of PALTEL and its subsidiaries (the Group) as of December 31, 2022.

PALTEL's direct and indirect ownership in its subsidiaries' capital was as follows:

		Ownership %		Share Capital (JD) 2022	
	Nature of activities	2022	2021	Subscribed	Paid
Palestine Cellular Communications (Jawwal)	Telecommunications	100	100	25,000,000	25,000,000
Hadara for Technological Investment	Telecommunications	100	100	7,100,000	6,833,750
Palmedia for Multimedia Services	Telecommunications	100	100	1,000,000	1,000,000
Hulul for Information Technology	Telecommunications	100	100	12,500,000	12,500,000
Reach Communication Services	Telecommunications	100	100	1,000,000	1,000,000
Ayla for Consultancy and Investment Services	Telecommunications	100	100	1,000,000	1,000,000
Jerusal for Real Estate Investment *	Real - Estate	-	100	100,000	100,000
Palvest S.P.C.	Investments	100	100	94,285	94,285
Jericho Gate for Real Estate Investment*	Real - Estate	-	75	35,000,000	35,000,000

The Group operates in the Palestinian National Authority territories, except for Ayla company which operates in Jordan and Palvest S.P.C. company which operates in Bahrain.

The financial period of the subsidiaries is the same as the financial period of the group, and when necessary, the group makes adjustments so that the policies adopted in the subsidiaries are in line with the accounting policies of the group.

* The Group has transferred the ownership of Jerusal for Real Estate Investments and Jericho Gate for Real Estate Investment to Arkaan Real Estate, to which the Group has transferred the real estate assets and investment portfolio (Note 5), where Paltel's shareholders were granted a share in Arkaan Real Estate for each share owned by the shareholder.

3. Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests isas follows:

Subsidiary name	Country of incorporation	2022	2021
		%	%
Jericho Gate for Real Estate Investments (Note 2) *	Palestine	-	75

* The ownership of Jericho Gate Company (Subsidiary) was transferred to Arkaan Real estate Company Co. with its assets and liabilities effect on June 30,2022.

	2022	2021
	JD'000s	JD'000s
Accumulated balances of non-controlling interest in Jericho Gate For Real Estate	-	20,262
Profit allocated to non-controlling interest in Jericho Gate	768	778

The summarized financial information of these subsidiaries is as follows, this information is based on amounts before inter-company eliminations:

Summarized statement of financial position as at 31 December 2022 and 2021:

	2022	2021
	JD'000s	JD'000s
Current Assets	-	42,353
Non-current Assets	-	72,476
Current Liabilities	-	30,001
Non-current Liabilities	-	3,779
Total Equity	-	81,049
Attributable to Non-Controlling interest	-	20,262

Summarized statement of profit or loss for the first six months period as of June 30, 2022, and the year ended in December 31, 2021:

	Six months period as of June 30, 2022*	For the year ended in December 31, 2021
	JD'000s	JD'000s
Revenues	9,741	34,998
Cost of sales	(4,957)	(27,683)
	4,784	7,315
Operating and administrative expenses	(653)	(1,115)
Other expenses, net	(215)	(1,726)
Profit before income tax	3,916	4,474
Income tax expense	(843)	(1,360)
Profit for the period/year	3,073	3,114
Other comprehensive income	-	-
Net comprehensive income for the period/year	3,073	3,114
Attributable to non-controlling interest	768	778

Summarized cash flow information for the first six months period as of June 30, 2022 and the year ended in December 31, 2021:

	first six months period as of June 30, 2022*	For the year ended in December 31, 2021
	JD'000s	JD'000s
Operating activities	(1,067)	6,777
Investing activities	(403)	2,794
Financing activities	-	(1,322)
Net (decrease) increase in cash and cash equivalents	(1,470)	8,249

* The ownership of Jericho Gate Company (Subsidiary) was transferred to Arkaan Real estate Company Co. with its assets and liabilities effect on June 30,2022.

4. Significant accounting policies

The consolidated financial statements of PALTEL and all its subsidiaries 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 other comprehensive income and financial assets at fair value through profit or loss that have been measured at fair value at the date of the financial statements. The consolidated financial statements are presented in Jordanian Dinars, and all values except when otherwise indicated, are rounded to the nearest thousand (JD'000s).

Basis of consolidation

The consolidated financial statements comprise of the financial statements of PALTEL and its subsidiaries as of December 31, 2022. Control is achieved when the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this resumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group 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
- The Group's voting rights and potential voting rights

The Group 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 (mentioned above). Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group 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 the Group gains control until the date the Group ceases to control the subsidiary. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

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

Changes in accounting policies

The accounting policies used in the preparation of the Group's consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the previous year except for the Group's adoption of the following effective amendments effective starting from 1 January 2022. the adoption of these amendments have no material impact on the Group's consolidated financial statements. The Group did not apply early to any standards or amendments issued but not yet effective.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

These amendments had no impact on the consolidated financial statements of the Group.

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

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

These amendments had no impact on the consolidated financial statements of the Group.

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

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the consolidated financial statements of the Group.

IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities

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

These amendments had no impact on the consolidated financial statements of the Group.

Standards and amendments issued but not yet effective The International Accounting Standards Board (IASB) issued certain standards and amendments that are not yet effective and have not yet been adopted by the Group. The following standards are those that the Group's management's reasonably expect that they will have an impact on the financial position or performance or the disclosures of the Group's consolidated financial statements when they become effective. These standards and amendments will be adopted when they become effective.

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively.

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

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

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

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

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

Significant accounting judgments, estimates and assumptions

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

Other disclosures, which clarify the group's risk exposures, include the following:

- Risk management objectives and policies (Note 38)
- Capital management (Note 38)

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

Fair value of financial instruments

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) 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.

Impairment of inventories

The Group's subsidiaries estimate the net realizable value of their inventories at the date of the consolidated financial statements based on their past experience, and adjust the carrying amounts, if needed.

Provision for expected credit losses on financial assets

Financial assets are assessed for impairment on the basis described in the "Impairment of financial assets" section. When determining the impairment of financial assets, 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.

Provision for employees' benefits

Group management uses certain estimates to determine the amount of employee benefits. Management believes that these estimates and assumptions are reasonable.

Impairment of goodwill

The determination of whether goodwill is impaired requires an estimation of the "value in use" of the cash-generating units to which the goodwill is allocated. Such estimation requires management to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives of tangible and intangible assets

The Group's management reassesses the useful lives of tangible and intangible assets, and makes adjustments if applicable, at each financial year end.

Provision for income tax

The Group's management uses certain estimates in determining the provision for income tax. The Group's management believes that the estimates and assumptions used are reasonable.

Properties under development and investments properties

The group's management depends on professional real estate valuators to evaluate its properties under development and investments properties.

Litigations provision

The Group's subsidiaries use certain estimates in determining the provision for legal cases based on the opinion of their legal advisors.

Determining the lease term for contracts with renewal and termination option

The Group define 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.

Long term trade receivables fair value adjustments:

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

Discontinued operations – transfer of real estate assets & investment portfolio
The management considers that the transfer of real estate assets and investment portfolio to the new company (Arkan Real Estate Company) is a transaction subject to common control, due to the fact that the management considers that the group of shareholders that owns a substantial shareholding in both the group and the new company, controls both companies, due to the contractual arrangements between them to collectively control the financial and operational policies of both companies to obtain benefits from their activities, and the management considers that the influence resulting from this control is not transitory

The functional currency of the PALTEL and its subsidiaries

The consolidated financial statements of the Group are presented in JOD, which is also the functional currency of the Company. Although the currencies mostly used in the country in which the Group are the JOD, ILS and USD, the Company's functional currency is determined as JOD. JOD is used to a significant extent in and has a significant impact on the operations of the Company and reflects the economic substance of the underlying events and circumstances relevant to the Company; including the policy used to retain cash receipts from operating activities in foreign currencies. Accordingly, transactions and balances not already measured in JOD have been remeasured in JOD in accordance with the relevant provisions of IAS 21 the Effects of Changes in Foreign Exchange Rates

Judgments related to revenues from contracts with customers:

Revenue and costs of interconnection
Group management uses certain estimates to determine the amounts of revenue, interconnection costs, receivables and related payables.

Determining the performance obligations and allocating transaction price on these obligations
The Group studies the contracts with customers to determine the performance obligation mentioned or implied in the contracts. Sometimes the contract includes several performance obligations such as points related to customer loyalty program. Group management uses specific judgments to determine performance obligations and to allocate transaction prices on these obligations, such as the determining of stand-alone selling price.

Revenue from sale of land and development rights
Contracts with real estate developers include the sale of lands and its related infrastructure services. The group concluded that it had two separate obligations which is to sell the lands to the developers in addition to providing them with the related infrastructure services.

Significant Accounting Policies

Revenue recognition from contracts with customers

A. Rendering of services:
The Group recognizes the revenue of the services over time by the number of units used in a manner similar to the previous accounting policy, as the customer receives and uses the features and services provided by the Group at the same time.

B. Sale of devices:
The campaigns and services offered by the group usually include the sale of devices. The Group has concluded that revenue from the sale of the devices must be recognized at a certain point in time at which the control of the asset is transferred to the customer, when the devices are delivered.

In some cases, the Group sells devices at a reduced price without affecting the prices of other services. In such cases, the discount is directly charged to the price of the device without being allocated to other services.

When the Group sells on installments any of the devices, and the period of payment of the amounts accrued on the customer for more than one year, The Group does not adjust the fair value differences at the agreed selling price as the Group believes that there is no significant financing components in its current contracts.

C. Prepayments from the clients:
In general, the Group collects short-term payments from its customers such as prepaid cards.

Regarding short-term payments, the Group does not adjust the agreed selling price as a result of the financing of any part of the contract if the Group believes that the period between the payment of the receivable and the delivery of agreed upon goods or services to the customer will not exceed a year from the date of the contract. If the period between the payment of the receivable by the customer and the delivery of the goods or services agreed upon is more than one year, the Group adjusts the timing differences of the fair value at the agreed selling price.

D. Revenues from sale of lands and development rights
The proceeds from the sale of lands are recognized at a specific point in time when the control of the land sold is transferred to the customer.

E. Revenues from services related to sale of land and development rights
Service revenue is recognized over a period of time based to the percentage of completion at the date of the consolidated financial statements.

Other revenues

Interest revenues

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

Dividends revenues

Dividend revenues are recognized when the right to receive the dividend is established. Profits or losses from investment trading in financial assets are recognized upon completion of the trading process.

Deferred Revenues

The group recognize the advanced payments granted from the sale of its services as a deferred revenues. Revenues will be recognized in the consolidated income statement when the revenues are accrued.

Expenses recognition

Expenses are recognized when incurred based on the accrual basis of accounting.

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 asset. All other finance costs are expensed in the period they occur. Finance costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Income tax

The Group provides for income taxes 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 temporary differences, at the date of financial statements between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, as deferred taxes. The group did not record some of the deferred taxes due to the uncertainty regarding the possibility of benefiting from these benefits during a specific period of time.

Income tax expense represents the accrued income tax which is calculated based on the Group's taxable income. Taxable income may differ from accounting income as the later includes non-taxable income or non-deductible expenses. Such income/expenses might be taxable/deductible in the following years.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period.Or
- Cash or cash equivalent 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 the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period.

Or

- 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.

Fair value measurement

The Group measures most of its financial instruments and discloses some of its nonfinancial assets such as investment properties, at fair value at each reporting date. Also, fair values of financial instruments and non-financial assets measured at cost are disclosed in the notes to the financial statements which include:

- Disclosures for valuation methods, significant estimates and assumptions (Note 4 and 7).
- Quantitative disclosures of fair value measurement hierarchy (Note 39).
- Investment properties (Note 7).
- Financial assets (Note 13).

Fair value is the price that would be received to sell an asset or paid to transfer 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 transfer 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 the Group.

A fair value measurement of a non-financial asset takes into account the market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to other market participants that would use the asset in its highest and best use.

The Group 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 financial statements are categorized within the fair value hierarchy, described as follows:

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

There have been no transfers among the levels mentioned above during 2022 and 2021.

External valuers are involved for valuation of significant assets, such as investment properties. The Group decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Group 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 as explained above.

Cash dividends paid

The Group recognizes a liability to make cash distributions to equity holders of the parent when the distribution is authorized by General Assembly. A corresponding amount is recognized directly in equity.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or 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. Land is not depreciated.

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

	Useful lives (Years)
Buildings and leasehold improvements	8-20
Wireline network	4-15
Wireless network	10
Computer hardware and software	3-10
Office furniture and equipment	4-7
Motor vehicles	4-7
Heavy duty equipment	7
Right of use leases	2-10
Other equipment	4-10

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognized.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Properties under development

Property under development is recorded at cost which represents all projects costs, which include design costs, construction costs, direct wages, land costs, part of indirect costs and financing costs. Upon completion of each project, the costs are then transferred to the property, plant and equipment or properties ready for sale depending on management decision or the nature of the project.

An Impairment testing for the carrying value of property under development is carried out when there is an evidence that the carrying value of these projects cannot be recovered. If any such indication exists and the carrying values exceed the estimated recoverable amount, the carrying amount of the projects is reduced to the expected recoverable amount.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of acquisition is measured as the aggregate of the consideration transferred, measured at acquisition-date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition-date fair value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. The difference between the fair value and the book value is recorded on the consolidated Income statement.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in Income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit, and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of the intangible assets are assessed to be either finite or indefinite.

Intangible assets with indefinite useful lives are tested for impairment on annual basis. Such intangibles are not amortized. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement when the asset is derecognized.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement.

<u>License and lines costs</u>

License and lines costs are amortized using the straight-line method over the license period of 20 years. Amortization expense is recognized in the consolidated income statement.

<u>Rights of use of fiber cables</u>

Rights of use are amortized using the straight-line method over a period of 7-15 years.

Projects in progress

Projects in progress comprise costs incurred to construct and expand the wireline and wireless networks and other projects as of the financial statements date. These costs include costs of direct labor, direct materials, equipment, and contractors' costs. After completion, projects in progress are transferred to property, plant and equipment.

The carrying values of projects in progress are 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, the projects are written down to their recoverable amount.

Materials and inventories

Materials are stated at cost while inventories are stated at the lower of cost and net realizable value using the weighted average method. Costs are those amounts incurred in bringing each product to its present location and condition.

The carrying values of materials are 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, the materials are written down to their recoverable amount.

Investment in associates

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

When the Group acquires significant interest through steps acquisition, the Group's share is recorded at fair value as of the date the significant influence was acquired in the associate; with any resulting gain or loss recorded in the consolidated income statement.

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

The consolidated income statement and the statement of comprehensive income reflect the share of the results of the associate. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, impairment is measured as the difference between the recoverable amount of the associate and its carrying value, and is recognized in the consolidated income statement.

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

Investment properties

Investment properties are measured at cost less any accumulated 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.

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 properties only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the book value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investments in financial assets

A- Initial recognition of financial assets:

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e. the date that Paltel commits to purchase or sell the asset. All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

B- Classification of financial assets

<u>Financial assets at amortized cost</u>

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

- The asset 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 as at FVTPL– see 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.

The 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.

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

<u>Financial assets at FVTPL</u>

Debt instrument financial assets that do not meet the amortized cost criteria or that meet the criteria, but Group has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL. The Group has not designated a debt instrument financial asset as at FVTPL.

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

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

Dividends income on investments in equity instruments at FVTPL is recognized in the consolidated income statement when Group's right to receive the dividends is established.

<u>Financial assets at FVTOCI</u>

At initial recognition, the Group makes an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Equity instruments at FVTOCI are initially measured at fair value plus acquisition 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 gain or loss previously accumulated in the fair value reserve is not reclassified to the consolidated income statement, but is reclassified to retained earnings.

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

The Group can classify debt instruments as financial assets at FVTOCI if both of the following conditions are met:

- The asset 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

A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired or the Group has transferred substantially all the risks and rewards of the asset to third party. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the group continues to record its remaining interest in the asset and records the liability in the amount of the amounts expected to be paid. If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to record them and also records the debt security of the amounts 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 the following, for which they are measured as a 12-month ECL:

- Debt investment securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- Other financial instruments for which the credit risk has not increased significantly since their initial recognition.

The Group has applied the simplified method of the standard to record expected credit losses (ECL) on trade receivables and calculated the expected credit losses over the entire life of the receivables. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The Group classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

- Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination. The Group recognizes an allowance based on the 12-month ECL.
- Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition, but they are not credit-impaired. The Group recognizes an allowance for the lifetime ECL.
- Stage 3: for credit-impaired financial instruments. The Group recognizes the lifetime ECL.

12-month ECL (stage 1) is the portion of ECL that results from probable default events on a financial instrument within 12 months after the reporting date.

Lifetime ECL (stage 2) is a probability-weighted estimate of credit losses and is determined based on the difference between the present value of all cash shortfalls. The cash shortfall is the difference between all contractual cash flows that are due to Group and the present value of the recoverable amount, for financial assets that are not credit-impaired at the reporting date.

For (stage 3) financial instruments, the provisions for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial asset. The recoverable amount is measured as the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at the inception of the credit facility or, for debt instruments, at the current market rate of interest for a similar financial asset.

Provisions for credit-impairment are recognized in the consolidated income statement and are reflected in an allowance account against loans and receivables, investment securities, and placements.

Financial assets are written off after all restructuring and collection activities have taken place and there is no realistic prospect of recovery. Subsequent recoveries are included in other income.

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.

Financial assets which have been re-scheduled or modified are no longer considered to be past due and are replaced on performing status when all principal and interest payments are up to date and future payments are reasonably assured. Financial assets that have been re-scheduled, are subject to on- going review to determine whether they remain impaired or can be considered due. All re-scheduled or modified facilities are classified as stage 2 or stage 3 for a minimum period of 12 months from the date of re-scheduling.

Trade receivables

Trade receivables are stated at original invoice amount less a provision for impaired debt. Where financial assets are assessed for impairment on the basis shown in paragraph "Impairment of financial assets". When determining the impairment on financial assets. The group uses specific estimates to determine the amounts and timing of future cash flows and also assesses whether there are a significant increase in credit risk of the financial asset since initial recognition and includes the use of future information in the measurement of expected credit losses.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits.

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.

Loans and borrowings

At initial recognition, loans and borrowings are recognized at fair value net of directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated income statement when the liabilities are derecognized by the lender.

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

Leases

The group evaluates contracts when they are initiated to determine if the contract is a lease or contains a lease agreement. That is, if the contract conveys the right to control the use of the specified asset for a period of time in exchange for the amounts paid.

The group8 applies a standardized approach for recognition and measurement in respect of all leases, except for short-term leases and leases for low-value assets. THE COMPANY recognizes lease liabilities for lease payments and right-of-use assets that represent the right to use the leased assets.

Right of use assets

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

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized 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, The group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the group and payments of penalties for terminating a lease, if the lease term reflects the group exercising the option to terminate.

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

In calculating the present value of lease payments, the group 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

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

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

The group 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. The group has the option, under some of its leases to lease the assets for additional terms. The group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, the group considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the group 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).

The group included the renewal period as part of the lease term for some leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

Provision for end of service indemnity

Allocating employees' end of service indemnity is made in accordance with the applicable labor law in Palestine and the Group's personnel affairs system. The Group prepares an actuarial study to ensure the consistency of the provisions made with the requirements of IAS (19).

Operating segments

The operating segments represent a set of assets and processes that jointly provide products or services subject to risks and returns different from those related to other operating segments that are measured according to reports used by the Group's Chief Executive Officer and main decision maker.

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 there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Provisions

Provisions are recognized when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders of the parent 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 the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year 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.

Foreign currencies

The Group consolidated financial statements are presented in JD, which is also the parent company's functional currency. The Group's subsidiaries determine their own functional currency. Items included in the financial statements of each entity are measured using subsidiaries' functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the group's subsidiaries at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated income statement with the exception for financial assets designated as at FVTOCI where any foreign exchange differences are recognized in other comprehensive income.

The group subsidiaries

The assets and liabilities of the group subsidiaries with functional currency other than JD are translated into JD at the rate of exchange prevailing at the reporting date and their income statements at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in other comprehensive income

5. Discontinued operations Spin-off real estate assets & investment portfolio –

The Extra-ordinary General Assembly has approved during its meeting which was held on March 22, 2022, to distribute to the shareholders of Paltel new share in the new company (Arkaan Real Estate) which was established in the first quarter of 2022 with the aim of transferring real estate assets and investment portfolio to it for a share in the Arkaan Real Estate for each share the shareholder holds in Paltel. Subsequent to the extra ordinary general assembly date, Paltel Board of Directors approved on June 26, 2022the list of assets that should be transferred to Arkaan Real Estate.

The Palatine Capital Market Authority (PCMA) set the date of June 28, 2022 to be the record date of approving the register of eligible shareholders for shares in Arkaan Real Estate. The shares of Arkaan Real Estate were quoted on Palestine Stock Exchange, on July 3,2022

Below is the book value of the assets and liabilities transferred to Arkaan Real Estate as of 30 June 2022:

	June 30, 2022
	JD '000s
Assets	
Non-current assets	
Property, plant and equipment	321
Investment properties	48,016
Properties under development	38,786
Investment in associates	22,355
Financial assets at fair value through other comprehensive income	108,508
Other non-current financial assets	32,080
	250,066
Current assets	
Trade receivables	30,281
Other current assets	1,278
Financial assets at fair value through profit or loss	17,432
Cash and cash equivalents	8,314
	57,305
Total assets	307,371
Non-controlling interests	21,030
Non-current liabilities	
Other non-current liabilities	3,576
	3,576
Current liabilities	
Accounts payable	3,760
Credit Facilities and short-term portion of long-term loans	757
Provision for income tax	286
Other current liabilities	19,128
	23,931
Total liabilities	27,507
Net Assets transferred	258,834
Net Assets whose transfer has not been completed as of the date of the consolidated financial statements (Note 27)	14,193
Net Assets transferred as stock dividends	273,027

The carrying value of the net assets transferred was used through applying the pooling of interest method instead of the acquisition method and the use of fair value, because Arkaan Real Estate Company is considered a subsidiary of the Group on the date of the assets transfer decision, as well as due to the presence of common control by major shareholders representing a majority in the Board of Directors.

The operational results related to the assets transferred to Arkaan Real Estate are classified as discontinued operations. Also the comparative figures have been reclassified to the statement of profit or loss. The results of discontinued operations are not presented in the note of the Group's operating segments.

For the purposes of the statement of cash flows, several transactions on some of the assets and liabilities transferred to Arkaan Real Estate Company were excluded, as these transactions took place without any cash flows to and from the Group.

Following are the details of the Group's discontinued operations results for the year ended in December 2022, and 2021:

	2022	2021
	JD '000s	JD '000s
Revenues from contracts with customers	9,741	34,998
Cost of Sale	(4,957)	(27,683)
	4,784	7,315
Operating and administrative expenses	(673)	(1,128)
Net gain from investments	4,942	7,106
Group's share of associates' results	775	640
Other expenses, net	(215)	(1,726)
Profit before income tax	9,613	12,207
Income tax expense	(843)	(1,360)
Profit for the year	8,770	10,847

Basic and diluted earnings per share:

	2022	2021
Basic and diluted Profit for discontinued operations attributable to equity holders of the parent (JD)	0.07	0.08

6. Property, plant and equipment

	Lands	Buildings and leasehold improvements	Wireline network	Wireless network	Computer hardware and software	Office furniture and equipment	Motor vehicles	Heavy duty machines and equipment	Buildings right of use	Cars right of use	Other equipment	Total
	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s
Cost												
Balance as at January 1, 2022	6,171	43,447	222,658	191,029	143,113	29,136	1,397	3,873	7,661	913	1,722	651,120
Additions	-	723	3,218	6,810	6,265	965	11	295	1,084	1,440	511	21,322
Disposals	(99)	(2,269)	(5,213)	(3,977)	(9,036)	(1,560)	(559)	(128)	(242)	(908)	(71)	(24,062)
Reclassifications	-	54	(54)	(175)	-	175	-	3	-	-	(3)	-
Transfer from Investment properties (Note 7)	9,872	-	-	-	-	-	-	-	-	-	-	9,872
Transfer from projects in progress (Note 10)	-	-	27,208	-	-	-	-	-	-	-	-	27,208
Transferred to Arkaan Real Estate Co. (Note 5)	-	(250)	-	-	(8)	(521)	(39)	-	-	-	(153)	(971)
Balance as at December 31, 2022	15,944	41,705	247,817	193,687	140,334	28,195	810	4,043	8,503	1,445	2,006	684,489
Accumulated depreciation and impairment												
Balance as at January 1, 2022	-	30,812	176,356	152,356	131,111	24,468	1,300	2,309	3,373	712	1,594	524,391
Depreciation for the year	-	1,688	11,367	11,587	6,315	1,545	19	389	1,259	626	97	34,892
Disposals	-	(2,107)	(5,077)	(3,879)	(8,226)	(1,516)	(505)	(107)	(127)	(895)	(69)	(22,508)
Reclassifications	-	13	(13)	(175)	(3)	178	-	-	-	-	-	-
Transferred to Arkaan Real Estate Co. (Note 5)	-	(213)	-	-	(8)	(296)	(21)	-	-	-	(112)	(650)
Balance as at December 31, 2022	-	30,193	182,633	159,889	129,189	24,379	793	2,591	4,505	443	1,510	536,125
Net carrying value as at December 31, 2022	15,944	11,512	65,184	33,798	11,145	3,816	17	1,452	3,998	1,002	496	148,364

	Lands	Buildings and leasehold improvements	Wireline network	Wireless network	Computer hardware and software	Office furniture and equipment	Motor vehicles	Heavy duty machines and equipment	Buildings right of use	Cars right of use	Other equipment	Total
	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s
Cost												
Balance as at January 1, 2021	6,165	43,464	219,078	195,060	146,676	29,309	1,406	3,734	7,799	1,432	1,724	655,847
Additions	30	958	1,907	9,185	4,230	631	10	502	774	599	65	18,891
Disposals	(24)	(1,247)	(5,145)	(13,216)	(8,659)	(750)	(19)	(252)	(991)	(1,118)	(151)	(31,572)
Reclassifications	-	208	(448)	-	383	(90)	-	(111)	-	-	58	-
Transfer from projects in progress (Note 10)	-	-	7,266	-	-	-	-	-	-	-	-	7,266
Acquisition in associates	-	64	-	-	483	36	-	-	79	-	26	688
Balance as at December 31, 2021	6,171	43,447	222,658	191,029	143,113	29,136	1,397	3,873	7,661	913	1,722	651,120
Accumulated depreciation and impairments												
Balance as at January 1, 2021	-	30,103	172,087	151,093	130,609	23,674	1,273	1,949	2,484	1,138	1,616	516,026
Depreciation for the year	-	1,822	9,502	13,627	8,318	1,621	46	370	1,247	530	88	37,171
Disposals	-	(1,223)	(5,125)	(12,364)	(7,884)	(716)	(19)	(10)	(358)	(956)	(151)	(28,806)
Reclassifications	-	110	(108)	-	68	(111)	-	-	-	-	41	-
Balance as at December 31, 2021	-	30,812	176,356	152,356	131,111	24,468	1,300	2,309	3,373	712	1,594	524,391
Net carrying value as at December 31, 2021	6,171	12,635	46,302	38,673	12,002	4,668	97	1,564	4,288	201	128	126,729

7. Investment properties

This item represents investment in lands, following is the movement on this account:

	2022	2021
	JD'000s	JD'000s
Balance, beginning of the year	45,732	45,418
Additions*	12,156	1,332
Sale of real estate investments	-	(1,018)
Transfer to PPE (Note 6)	(9,872)	-
Transferred to Arkaan Real Estate Co. (Note 5)	(48,016)	-
Balance, end of year	-	45,732

The fair values of investments properties of these lands lots were estimated, by certified appraisers, at JD 81,748,000 as of 2021 year end.

* During the year, the group has purchased investments properties from Palestine Development and Investment Company Ltd. (PADICO), and its subsidiaries with an amount of U.S $ 16 Million (equivalent to JD 11,344,000).

8. Intangible assets

	Goodwill	License cost*	Rights of use of fiber cables and other intangible assets	Total
	JD'000s	JD'000s	JD'000s	JD'000s
Cost				
Balance as at January 1, 2022	17,259	205,610	30,516	253,385
Additions	-	-	1,881	1,881
Disposals	-	-	-	-
Balance as at December 31, 2022	17,259	205,610	32,397	255,266
Amortization				
Balance as at January 1, 2022	-	52,665	23,929	76,594
Amortization for the year	-	10,281	1,914	12,195
Balance as at December 31, 2022	-	62,946	25,843	88,789
Net Book Value				
As at December 31, 2022	17,259	142,664	6,554	166,477
As at December 31, 2021	17,259	152,945	6,587	176,791

* During 2016, the Group renewed the licenses of both Palestine Telecommunications Co. (PALTEL) and Palestine Cellular Communications Co. (JAWWAL) for a period of 20 years ending in the year 2036. The total amount of the license amounted to U.S $ 290 million (equivalent to JD 205,610,000) of which US $ 260 million is related to JAWWAL's license renewal (including 2G and 3G frequency licenses) while the remaining amount of U.S $ 30 million was related to PALTEL's license renewal.

Impairment testing of goodwill

The recoverable amount of the wireless segment has been determined based on the "value in use" using the cash flow projections from budgets approved by senior management covering a five-year period. The discount rate before tax applied to cash flow projections is 18% (13% in 2021). Cash flows beyond the 5-year period are extrapolated using a 3% growth rate (3% in 2021).

Key assumptions used in value in use calculations:

The calculations of value in use for the wireless segment are most sensitive to the following:

- Discount rate; and
- Growth rate used to extrapolate cash flows beyond the forecasted period.

Discount rate: Discount rate represents the current market assessment of the risks specific to wireless segment, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its wireless segment and is derived from its weighted average cost of capital (WACC). The WACC takes into account both the cost of equity and the cost of debt. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Growth rate estimates: Rates are based on the value of the business segment's operations after the explicit budget period. In determining appropriate growth rates, regard has been given to the competitive forces that are expected to prevail after the explicit budget period.

With regard to the assessment of the "value in use" of the wireless business segment, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the segment to materially exceed its value in use.

9. Properties under development

	2022	2021
	JD'000s	JD'000s
Balance, beginning of year	43,864	67,836
Additions	-	3,711
Sales	(5,078)	(27,683)
Transfered to Arkaan Real Estate Co. (Note 5)	(38,786)	-
Balance, end of year	-	43,864

10. Projects in progress

	2022	2021
	JD'000s	JD'000s
Telecommunications network	4,424	1,891
Administration and information technology systems	1,182	129
Data transmission projects	805	2,292
Building rehabilitation	211	56
	6,622	4,368

Upon completion, each project is transferred to property, plant and equipment, the movement on the cost of network development account during 2022 and 2021, is as follows:

	2022	2021
	JD'000s	JD'000s
Balance, beginning of year	4,368	3,190
Additions	29,462	8,444
Transferred to property, plant and equipment (Note 6)	(27,208)	(7,266)
Balance, end of year	6,622	4,368

* This item represents the costs incurred by the Group to establish network modernization projects. Upon completion of the construction of the projects, all costs will be transferred to the property, plant and equipment account.

11. Materials Inventory

	2022	2021
	JD'000s	JD'000s
Wireline network materials	21,511	12,448
Kits and tools	598	382
Electricity and air conditioning materials	306	150
Disposables and other materials	113	390
	22,528	13,370

12. Investment in associates

	Country of incorporation	% of ownership		Carrying amount of the investment	
		2022	2021	2022	2021
				JD'000s	JD'000s
VTel Holding and VTel MEA limited private shareholding Co. *	United Arab Emirates	26.9	26.9	8,824	8,976
The National Bank limited public shareholding Co.**	Palestine	-	14.3	-	16,072
				8,824	25,048

* VTel Holding Company is a holding company established during 2006 in the United Arab Emirates. VTel Holding is specialized in managing several companies in the telecommunications industry.

VTel MEA Company is a holding company established during 2011 in the United Arab Emirates. VTel MEA is specialized in managing several companies in the telecommunications industry.

The Group elected to combine information for VTel Holding and VTel MEA companies as they are managed on an aggregated level.

** As it described in Note (5), The group's investment in TNB was transferred to Arkaan Real Estate, and the remaining shares owned in the bank were classified at the end of the year as financial assets at fair value through other comprehensive income.

The following table illustrates summarized financial information of the Group's investments in its associates:

	VTel Holding & VTel MEA (combined)		The National Bank		Total	
	2022	2021	2022	2021	2022	2021
	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s
Statement of financial position						
Assets	153,521	153,621	-	1,156,509	153,521	1,310,130
Liabilities	(120,718)	(120,253)	-	(1,053,418)	(120,718)	(1,173,671)
Shareholder's equity attributable to the shareholder of the associate	32,803	33,368	-	103,091	32,803	136,459
Group's ownership	8,824	8,976	-	14,742	8,824	23,718
Implied goodwill	-	-	-	1,330	-	1,330
Transferred to Arkaan Real Estate Co. (Note 5)	-	-	-	-	-	-
Carrying value of investment	8,824	8,976	-	16,072	8,824	25,048
Revenues and results of operations						
Revenues	3,776	2,777	-	61,466	3,776	64,243
Results of operations	2,277	(270)	-	4,203	2,277	3,933
Group's share of results of operations	614	1,528	775	601	1,389	2,129
Group's share of other comprehensive income	-	-	263	511	263	511
Dividends received	764	1,528	-	-	764	1,528

13. Investments in financial securities

A. **The financial assets at FVTOCI include the following:**
Financial assets at fair value through other comprehensive income comprises the following:

	2022	2021
	JD'000s	JD'000s
Quoted shares in PSE	2,368	142,437
Unquoted shares	-	2,499
	2,368	144,936

During the year, the Group has transferred to Arkaan Real Estate as a result of the spinoff, financial assets at FVOCI with an amount of JD 108,508,000 (Note 5).

These investments were designated at fair value through OCI as the Group considers these investments to be strategic in nature.

During January 2023, the group purchased 5% of the capital of The National Bank (a listed company), and it classified it as financial assets at fair value through other comprehensive income in the consolidated financial statements for the year 2023. The movement on the fair value reserve was as follows:

	2022	2021
	JD'000s	JD'000s
Balance, beginning of the year	(37,784)	(70,278)
Unrealized (losses) gains	(3,277)	31,835
Losses from sale of financial assets at FVTOCI recognized in retained earnings	1,317	148
Group's share of associates' other comprehensive income	263	511
Transferred to Arkaan Real Estate Co. (Note 5)	36,556	-
Balance, end of the year	(2,925)	(37,784)

B. Financial assets at FVTPL include the following:
Financial assets at fair value through profit or loss comprises the following:

	2022	2021
	JD'000s	JD'000s
Shares quoted in Palestine Stock Exchange	595	3,266
Portfolios in quoted shares	3,894	3,748
Shares quoted in regional financial markets	-	17,751
Unquoted shares in financial markets	177	177
	4,666	24,942

During the year, the Group has transferred to Arkaan Real-estate as a result of the spinoff, financial assets at FVPL with an amount of JD 17,432,000 (Note 5).

During the year, the Group sold the majority of its interest in Palestine Development and Investment Company (PADICO) to one of PADICO's subsidiaries, the book value of the sold shares is JD 35,985,000, of which; JD 33,406,000 were designated as FAOCI, and the remaining JD 2,579,000 were designated as FATPL. The Group sold these shares as part of the decision to rearrange the Group's investments.

14. Other financial assets

	2022	2021
	JD’000s	JD’000s
Loans to associates	69,383	75,547
Prepayment on taxes and other governmental fees	7,156	9,701
Long term trade receivables (Notes 16 &5)	-	28,290
	76,539	113,538
Provision for expected credit loss	(69,383)	(71,268)
	7,156	42,270
Current portion of long-term loans to associates (Note 17)	-	(4,279)
Current portion of prepayment on taxes and other governmental fees (Note 17)	(1,993)	(2,281)
	5,163	35,710

Movement on the provision for expected credit losses reserve was as follows:

	2022	2021
	JD’000s	JD’000s
Balance, beginning of year	(71,268)	(71,268)
Net recoveries	1,885	-
Balance, end of year	(69,383)	(71,268)

15. Inventories

	2022	2021
	JD’000s	JD’000s
SIM cards and prepaid scratch cards	561	644
Cellular phone sets	55	49
Others	1,034	927
	1,650	1,620

16. Trade receivables

	2022	2021
	JD’000s	JD’000s
Retail and corporate subscribers	91,562	163,211
Due from Palestinian National Authority	82,492	80,583
Due from dealers	9,592	7,736
Accrued revenues	7,006	7,739
Due from telecommunication companies	3,317	3,535
Others	5,328	7,616
Total trade receivable	199,297	270,420
Expected credit losses*	(120,187)	(130,545)
Long term trade receivables (Note 14)	-	(28,290)
	79,110	111,585

* Movements on the expected credit losses during the years 2022 and 2021 is as follows:

	2022	2021
	JD'000s	JD'000s
Balance, beginning of year	130,545	121,982
Additions during the year	2,879	5,322
Currency differences	(12,968)	3,241
Transferred to Arkaan Real Estate Co. (Note 5)	(269)	
Balance, end of year	120,187	130,545

Set out below is the information about the credit risk exposure on the Group's trade receivables and the expected credit losses as of December 31, 2022 and 2021:

			Past due				
2022	Total	Neither past due nor impaired	<31 days	31-60 days	61-90 days	91-120 days	>120 days
	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s
Expected credit risk rate	60%	7%	11%	30%	38%	64%	87%
Trade receivables	199,297	41,612	19,231	4,780	4,546	3,276	125,852
Expected credit loss provision	(120,187)	(2,896)	(2,029)	(1,435)	(1,731)	(2,108)	(109,988)

			Past due				
2021	Total	Neither past due nor impaired	<31 days	31-60 days	61-90 days	91-120 days	>120 days
	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s	JD'000s
Expected credit risk rate	54%	3%	8%	28%	39%	52%	93%
Trade receivables	242,130	80,265	18,744	4,119	3,524	3,485	131,993
Expected credit loss provision	(130,545)	(2,560)	(1,496)	(1,169)	(1,386)	(1,807)	(122,127)

17. Other current assets

	2022	2021
	JD'000s	JD'000s
Advances to suppliers and contractors	5,339	4,205
Prepaid expenses	4,666	4,473
Current portion of prepayment on taxes and other governmental fees (Note 14)	1,993	2,281
Due from related parties	99	893
Current portion of long-term loans (Note 14)	-	4,279
Others	2,481	2,238
	14,578	18,369

18. Cash and cash equivalents

	2022	2021
	JD'000s	JD'000s
Cash on hand	604	896
Cash at banks and short-term deposits	64,449	93,935
	65,053	94,831

Short-term deposits amounted to JD 30,304,952 and JD 48,803,000 as of December 31, 2022, and December 31, 2021, respectively. Most of these deposits are due for a period of less than three months.

19. Paid-in share capital

As of December 31, 2022, and 2021, PALTEL's authorized and issued share capital amounted to JD 131,625,000. Total number of subscribed ordinary shares amounted to 131,625,000 shares for the years ended in December 31, 2022 and 2021.

20. Reserves

- Statutory reserve represents accumulation of profits transferred at 10% of the annual net profit in accordance with the Companies' Law. This reserve is not available for distribution to shareholders. The Group ceased to transfer any portion of profits as the statutory reserve balance reached 25% of share capital.
- Voluntary reserve represents the transfers made during prior years from profits. This reserve is available for distribution to the shareholders. No appropriation to the voluntary reserve was made during the years 2022 and 2021.
- Special reserve represents appropriation of profits based on the Board of Directors resolution. This reserve is available for distribution to the shareholders. No appropriation to the special reserve was made during the years 2022 and 2021.

21. Cash dividends

The Board of Directors in its upcoming meeting in 2023 prior to the general assembly date, will propose to the General assembly in its annual meeting to be held during 2023 the approval of a proposed cash dividend for 2022.

The General Assembly approved in its meeting held on March 22, 2022, the declaration of a cash dividend of JD 0.40 per share totaling JD 52,650,000.

The General Assembly approved in its meeting held on March 29, 2021, the declaration of a cash dividend of JD 0.30 per share totaling JD 39,488,000.

22. Long-term loans

	2022	2021
	JD '000s	JD '000s
Long term-loans from regional and local banks	66,503	118,546
Current portion of long-term loans (Note 25)	(29,335)	(48,164)
	37,168	70,382

During the year the Group repaid an amount of JD 45,269,000 from long-term loans, which obtained in previous years.

- During the year 2021, the Group signed a long-term loan agreement with a regional bank in the amount of USD 20 Million (equivalent to JD 14.18 million). The loan is to be paid in 12 equal quarterly installments.
- During the year 2021, the Group signed a long-term loan agreement with a regional bank in the amount of ILS 75 million (equivalent to JD 16.34 million). The loan is to be paid in 24 equal monthly installments.
- During the year 2021, the Group signed a long-term loan agreement with a local bank in the amount of ILS 100 million (equivalent to JD 21.79). The loan is to be paid in one installment after 24 months.
- These loans were obtained with the guarantee of PALTEL.

Below is the table of long-term loans payments schedule:

	2022
	JD '000s
Matures in 2023	29,335
Matures in 2024	35,931
Matures in 2025	1,237
	66,503

23. Other non-current liabilities

	2022	2021
	JD '000s	JD '000s
Provision for employees' indemnity and early retirement provision*	52,534	56,264
Long term lease liability**	4,000	4,142
Deferred tax liability	-	3,664
	56,534	64,070

* Movement on provision for employees' indemnity and the early retirement during the year 2022 and 2021 is as follows:

	2022	2021
	JD '000s	JD '000s
Balance, beginning of year	56,264	45,648
Acquisition of a subsidiary	-	73
Additions during the year	16,581	12,091
Payments during the year	(20,187)	(1,548)
Transferred to Arkaan Real Estate Co. (Note 5)	(124)	-
Balance, end of year	52,534	56,264

** Movement on Long term lease liability during the year 2022 and 2021 is as follows:

	2022	2021
	JD '000s	JD '000s
Balance, beginning of year	5,675	7,007
Additions during the year	2,445	1,207
Disposals	(236)	(510)
Financing lease expenses	307	308
Payments during the year	(2,354)	(2,337)
Balance, end of year	5,837	5,675
Short term portion of Lease Liability (Note 27)	(1,837)	(1,533)
Long term Lease Liability	4,000	4,142

24. Accounts payable

	2022	2021
	JD '000s	JD '000s
Trade account payables for suppliers	16,268	17,017
Subscribers' deposits	6,539	4,540
Telecommunication companies payables	5,745	5,011
Accrued governmental fees on revenue	97	5,364
	28,649	31,932

25. Credit facilities and current portion of long-term loans

	2022	2021
	JD '000s	JD '000s
Current portion of long-term loans (Note 22)	29,335	48,164
Banks overdrafts *	22,390	4,449
	51,725	52,613

* This item represents the utilized balance of overdraft lines of credit granted to the Group. During the year the group renewed overdrafts ceiling agreements with local and regional banks, with a total ceiling of U.S $ 100 million (equivalent to JD 70.9 million).

The utilized balance of the current ceilings granted to the Group as at December 31, 2022 amounted to JD 22,390,000.

26. Provision for income tax

Following is the movement on the provision for income tax during the year 2022 and 2021:

	2022	2021
	JD '000s	JD '000s
Provision balance, beginning of year	16,193	10,925
Acquisition of a subsidiary	-	(58)
Income tax expense for the year / from continuing operations	18,770	19,407
Income tax expense for the year / from discontinued operations (Note 5)	843	1,360
Amortization of deferred tax liability	226	1,808
Discounts on early payments	(1,081)	(975)
Payments during the year	(21,220)	(15,406)
Currency differences	4,301	(868)
Transferred to Akraan Real Estate Co. (Note 5)	(286)	-
Provision balance, end of year	17,746	16,193

The taxable profit of the Group subsidiaries is subject to a tax rate ranging from 15% to 20% depending on the nature of each subsidiaries operations.

The Company reached a settlement with the Income Tax Department for its taxable income until the year 2020.

Following are the details of income tax expense from continuing operations:

	2022	2021
	JD '000s	JD '000s
Income tax expense for the year	18,770	19,407
Discounts on early payments	(1,081)	(975)
	17,689	18,432

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

	2022	2021
	JD'000s	JD'000s
Profit before income tax from continuing operations	74,784	75,600
Profit before income tax from discontinued operations	9,613	12,207
Profit before income tax for the year	84,397	87,807
Non-taxable profits	(4,817)	(5,342)
Nondeductible expenses	19,517	19,702
Taxable income	99,097	102,167
Accrued income tax	19,099	19,923
Income tax expense for the year from continuing operations	18,770	19,407
Income tax expense for the year from discontinued operations	843	1,360

27. Other current liabilities

	2022	2021
	JD ‘000s	JD ‘000s
Accrued expenses	58,780	63,225
Accrued to Arkaan Real Estate Co. (Note 5)	14,193	-
Dividends payable	10,746	11,657
Unearned revenues	9,768	32,050
Due to employees’ provident fund *	2,345	2,215
Customer loyalty programs	2,054	1,983
Current portion of lease liability (Note 23)	1,837	1,533
Accrued social responsibility	1,069	1,227
Provision for employees’ vacations	968	797
Others	5,243	7,730
	107,003	122,417

* These amounts represent the Group's share and the amounts deducted from employees for the provident fund, which have not been transferred to the fund. Where the Group companies contribute an agreed upon percentage of their employee's salary and in turn deduct another percentage from the employees. Contributions are transferred to designated funds, which are run independently by management committees according to the approved by laws for each fund.

28. Revenues from contracts with customers

	2022	2021
	JD ‘000s	JD ‘000s
Revenue Type		
Wireline and wireless services	187,129	187,306
Digital services and information technology	101,067	101,134
Interconnection revenue	20,707	20,141
	308,903	308,581

Following are the details of revenues:

	2022	2021
	JD’000s	JD’000s
Customer type		
Individuals	204,693	198,766
Companies	104,210	109,815
	308,903	308,581

The Group recognizes the revenue of the services over time by the number of units used, as the customer receives and uses the features and services provided by the Group at the same time.

29. Cost of sale

Cost of sale includes Telecommunication costs, governmental fees on revenues

30. Operating and administrative expenses

	2022	2021
	JD '000s	JD '000s
Payroll and related employees' benefits	61,329	61,310
Depreciation of property, plant and equipment	34,855	37,097
End of service and early retirement expenses	16,570	12,063
Maintenance expenses	14,735	13,432
Amortization of intangible assets	12,195	11,377
Water, electricity and other utilities	9,946	9,257
Marketing and advertising	7,219	6,795
Short – term lease	5,898	5,506
Corporate social responsibility	5,135	9,509
Provision for expected credit losses	2,879	5,053
Security and cleaning	2,471	2,365
Postage, billing collection and distribution	2,441	2,580
Employees' and asset insurance	2,215	2,483
Travel, accommodation, transportation and fuel	1,733	1,500
Professional and consultancy fees	1,542	816
Conferences and hospitality	652	605
Stationery and printings	173	147
Others	2,142	1,870
	184,130	183,765

31. Gain from investments

	2022	2021
	JD '000s	JD '000s
Distributed cash dividends	912	222
Change in fair value f financial assets at FVTPL	12	1,822
	924	2,044

32. Other revenues, net

	2022	2021
	JD '000s	JD '000s
Interest revenues	4,885	4,975
(Losses) gains from foreign exchange differences	(7,699)	654
(losses) gains on disposal of property, plant and equipment	(38)	752
Realized and unrealized gains (losses) from currency forward contracts	6,561	(122)
Others	(1,248)	(3,841)
	2,461	2,418

33. Finance expenses

	2022	2021
	JD '000s	JD '000s
Finance expenses	5,436	6,200
Financing lease expenses	307	308
	5,743	6,508

34. Basic and diluted earnings per share

Basic and diluted earnings per share for the years ended December 31, 2022, and 2021 is calculated as follows:

	2022	2021
Profit from continuing operations attributable to equity holders of the parent (JD)	57,095,000	57,168,000
Weighted average number of subscribed share capital	131,625,000	131,625,000
Basic and diluted earnings per share (JD)	0.434	0.434
Profit from continuing and discontinued operation for the year attributable to equity holders of the parent (JD)	65,244,000	67,430,000
Weighted average for number of subscribed share capital	131,625,000	131,625,000
Basic and diluted earnings per share (JD)	0.496	0.512

35. Commitments and contingencies

As of the financial statements date, the Group has outstanding contractual commitments resulting from purchases, services and construction contracts signed with suppliers and contractures. The contractual commitments represent the difference between total contract cost and the amounts of materials or services received as of the financial statements date. Following is a summary of the outstanding commitments, which are due during the following years:

	2022	2021
	JD '000s	JD '000s
Purchase orders and letters of credit	30,152	34,717
	30,152	34,717

In addition to the above, during December 2022, PALTEL entered into an understanding to purchase approximately 15% of the National Bank shares. Until the date of preparing these financial statements, the procedures for implementing this understanding have not been completed.

Most of the outstanding commitments mature within one year of the date of the financial statements.

The group appears as a defendant in several cases brought against it within the normal business activity of the group. The group management believes that, based on a letter from the legal advisor, the group will not have any material obligations except for what was already provisioned for.

36. Related parties

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's Board of Directors.

Following are the balances of related parties included in the consolidated statement of financial position as of December 31, 2022, and 2021:

		2022	2021
	Nature of relationship	JD '000s	JD '000s
Long term Interest-bearing loans	Major shareholders – banks	17,654	40,668
Overdraft	Major shareholders – banks	14,995	3,206
Due from related parties	Major shareholders and associates	99	893
Due to a related party	Company invested in by Major shareholders	14,193	-
Loans granted to associates*	Associates	69,383	75,547

Following are the transactions with related parties included in the consolidated income statement for the years 2022 and 2021:

Finance cost	Major shareholders – banks	1,971	2,544
Interest revenue	Associates	3,542	3,806
Operating and administrative expenses	Companies - major shareholders and BoD	2,873	2,170
Board of Directors compensation and expenses		433	420
Key management personnel compensation:			
Short term benefits		1,005	1,712
Termination benefits		154	204
		1,159	1,916

* The provision for expected credit losses on loans granted to associates amounted to JD 69,383,000 as at December 31, 2022 compared to JD 71,268,000 as at December 31, 2021.

37. Segment reporting

The Group's operating segments are the telecommunications, data, real estate in addition to investing activities segment. The operating businesses are organized and managed separately according to the nature of the products and services provided, by each segment, where each segment representing a strategic business unit.

The telecommunications segment is a provider of wireline and wireless communication services and the operator of the telephone and cellular networks in Palestine.

The Digital services and information technology segment is a major provider of internet services, leased lines, and ADSL services in Palestine.

The Investments segment represents all investments activities of the Group.

The real estate segment represents all real estate activities of the Group.

The following tables present revenues and profit before tax, and other segment information regarding the Group's operating segments for the year ended in December 31, 2022:

	Telecommunication	Digital Services and IT	Real estate	Investing	Eliminations	Total
Revenues	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s
Segment revenues from external customers	207,836	101,067	-	-	-	308,903
Inter-segment revenues (eliminated)	1,546	9,459	-	-	(11,005)	-
Total Revenues	209,382	110,526	-	-	(11,005)	308,903
Results of operations						
Depreciation and amortization	(30,730)	(16,320)	-	-	-	(47,050)
Group's share of associates' results of operations	-	-	-	614	-	614
Segment profit before tax from Continuing operations	38,206	34,993	-	1,585	-	74,784
Other segment information						
Investment in associates	-	-	-	8,824	-	8,824
Capital expenditures	26,293	53,697	-	-	-	79,990

The following table presents segments' assets and liabilities as of December 31, 2022:

Assets and liabilities						
Segments' assets	341,702	190,228	-	16,200	(22,727)	525,403
Segments' liabilities	169,666	141,342	-	-	(12,183)	298,825

The following tables present revenues and profit before tax, and other segment information regarding the Group's operating segments for the year ended December 31, 2021:

The following table presents segments' assets and liabilities as of December 31, 2021:

	Telecommunication	Digital Services & IT	Real estate	Investing	Eliminations	Total
Revenues	JD ‘000s	JD ‘000s	JD ‘000s	JD ‘000s	JD ‘000s	JD ‘000s
Segment revenues from external customers	207,447	101,134	-	-	-	308,581
Inter-segment revenues (eliminated)	4,180	6,772	-	-	(10,952)	-
Total Revenues	211,627	107,906	-	-	(10,952)	308,581
Results of operations						
Depreciation and amortization	(34,964)	(13,510)	-	-	-	(48,474)
Group’s share of associates’ results of operations	-	-	-	1,489	-	1,489
Segment profit before tax from Continuing operations	43,340	28,727	-	3,533	-	75,600
Other segment information						
Investment in associates	-	-	-	25,048	-	25,048
Capital expenditures	15,250	15,931	23	-	-	31,204

The following table presents segments' assets and liabilities as of December 31, 2021:

Assets and liabilities						
Segments’ assets	385,134	278,911	160,561	194,990	(151,701)	867,895
Segments’ liabilities	195,380	132,281	33,780	-	(3,834)	357,607

38. Financial risk management objectives and policies

The Group's principal financial liabilities comprise of interest-bearing loans and borrowings and accounts payable. The main purpose of these financial liabilities is to finance the Group's operations. The Group has various financial assets such as Trade receivables, granted loans, and cash and cash equivalents which arise directly from the Group's operations. The Group also holds available-for-sale investments.

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The exposure to the risk of changes in market interest rates relates primarily to financial assets and liabilities with floating interest rates.
The Group manages the risk of changes in interest rates by owning a balanced portfolio of loans with fixed and variable interest rates, as loans granted at fixed interest rates represent 36% of the loan balance as of December 31, 2022.

The following table shows the sensitivity of the consolidated income statement for possible changes in interest rates, with all other variables held constant:

	Change in interest rates	Effect on profit before tax
	Basis points	JD ‘000
2022		
U.S $	+20	(390)
U.S $	-20	195
2021		
U.S $	+20	(308)
U.S $	-20	154

Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing and investing activities, including deposits with banks and financial institutions and other financial instruments.

Trade receivables:
Customer credit risk is managed by each business segment unit subject to the Group’s policies relating to customer credit risk management. The Group has a broad-based clientele. The credit risk associated with trade receivables is widely distributed among a large number of individual customers, except for the risk associated with the receivable from PNA ministries and institutions which represent 43% of total trade receivables (34% in 2021)

In addition, services are disconnected from clients who do not pay their bills within a specified period. Also, the Group 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, in addition to considering future factors. The maximum exposure is the carrying amount as disclosed in Note (16).

Other financial assets

With respect to credit risk arising from the other financial assets of the Group, including granted loans and bank deposits, the investment and financing decisions are made only to approved counterparties. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these financial assets.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funds and flexibility through the use of bank overdrafts and other bank loans. The Group's terms of billing require amounts to be paid by customer within 45 days of the date of billing.

The table below summarizes the maturity profile of the Group's consolidated financial liabilities based on undiscounted payments as of December 31, 2022, and 2021, based on maturity period:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s
As of December 31, 2022					
Interest-bearing loans and borrowings	-	9,124	21,343	61,232	91,699
Accounts payable	-	11,459	8,022	9,168	28,649
Lease liabilities and other liabilities	24,939	1,436	31,791	42,393	100,559
	24,939	22,019	61,156	112,793	220,907
As of December 31, 2021					
Interest-bearing loans and borrowings	-	13,278	58,911	53,875	126,064
Accounts payable	-	12,773	8,941	10,218	31,932
Lease liabilities and other liabilities	33,053	53,501	35,501	-	122,055
	33,053	79,552	103,353	64,093	280,051

The table below summarizes the changes in liabilities arising from financing activities as of December 31, 2022, and 2021:

	January 1, 2022	Cash flows	Foreign exchange	New leases	Dividends Declaration	December 31, 2022
	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s
Interest Bearing Loans	118,546	(45,269)	(6,774)	-	-	66,503
Credit facilities	4,449	17,941	-	-	-	22,390
lease liabilities	5,675	(2,047)	-	2,209	-	5,837
Dividends payable	11,657	(53,561)	-	-	52,650	10,746
Total liabilities from financing activities	140,327	(82,936)	(6,774)	2,209	52,650	105,476

	January 1, 2021	Cash flows	Foreign exchange	New leases	Dividends Declaration	December 31, 2021
	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s	JD '000s
Interest Bearing Loans	126,964	(9,927)	1,509	-	-	118,546
Credit facilities	33,942	(29,493)	-	-	-	4,449
lease liabilities	7,007	(2,029)	-	697	-	5,675
Dividends payable	11,288	(39,119)	-	-	39,488	11,657
Total liabilities from financing activities	179,201	(80,568)	1,509	697	39,488	140,327

Equity price risk

The following table demonstrates the sensitivity of the consolidated income statement and available for sale reserve to 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 profit before tax	Effect on equity
2022	%	JD '000s	JD '000s
Shares listed on Palestine Securities Exchange	+10	60	237
Shares listed on the Amman Stock Exchange	+10	-	-
Shares listed on other markets	+10	-	-
Other unquoted	+5	204	-
2021			
Shares listed on Palestine Securities Exchange	+10	327	3,540
Shares listed on the Amman Stock Exchange	+10	1,775	9,843
Shares listed on other markets	+10	-	861
Other unquoted	+5	196	125

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenues or expenses are denominated in a different currency from the Group's presentation currency).

The Group reduces the foreign currency exchange rates fluctuation risk by entering in foreign currency forward contracts.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency rate against JD, with all other variables held constant, of the Group's profit before tax. However, the Jordanian Dinar is linked to the U.S. Dollar, therefore, no effect, resulting from the fluctuations in U.S $ rate, is expected on the consolidated financial statements:

	Increase/decrease in ILS rate to JD	Effect on profit before tax	Effect on OCI
	%	JD' 000s	JD' 000s
2022			
ILS	+10	8,163	92
ILS	- 10	(8,163)	(92)
2021			
ILS	+10	5,714	10
ILS	- 10	(5,714)	(10)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended in December 31, 2022, and December 31, 2021.

Capital comprises share capital, retained earnings, and other reserves, and is measured at JD 226,578,000 as at December 31, 2022, and JD 510,288,000 as at December 31, 2021.

39. Fair value measurement

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

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

There have been no transfers among the levels mentioned above during 202 and 2021.

The following table provides the fair value measurement hierarchy of the Group's assets as at December 31, 2022:

	Date of valuation	Quoted prices in active markets (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)
		JD '000s	JD '000s	JD '000s
Assets measured at fair value:				
Financial assets at FVTOCI	December 31, 2022	2,368	-	-
Financial assets at FVTPL	December 31, 2022	595	3,894	177

The following table provides the fair value measurement hierarchy of the Group's assets as at December 31, 2021:

	Date of valuation	Quoted prices in active markets (level 1) JD '000s	Significant observable inputs (level 2) JD '000s	Significant unobservable inputs (level 3) JD '000s
Assets measured at fair value:				
Financial assets at FVTOCI	December 31, 2021	142,437	-	2,499
Financial assets at FVTPL	December 31, 2021	21,017	3,748	177
Financial assets for which fair value is disclosed:				
Investment properties	December 31, 2021	-	-	81,748

Fair values of financial assets and liabilities

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments carried in the financial statements:

	Carrying value		Fair Value	
	2022	2021	2022	2021
	JD '000s	JD '000s	JD '000s	JD '000s
Financial assets				
Investments in securities	7,034	169,878	7,034	169,878
Trade receivables	79,110	111,585	79,110	111,585
Other financial assets	9,735	45,401	9,735	45,401
Cash and cash equivalents	65,053	94,831	65,053	94,831
	160,932	421,695	160,932	421,695
Financial liabilities				
Loans and credit facilities	88,893	122,995	88,893	122,995
Accounts payable	28,649	31,932	28,649	31,932
Other financial liabilities	94,373	88,050	94,373	88,050
	211,915	242,977	211,915	242,977

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

- The fair values of trade receivables (except for long term trade receivables), other financial assets, cash and cash equivalents, accounts payable, and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair values of the quoted assets at FVOCI and FVPL is based on price quotations at the reporting date.
- The fair value of the unquoted assets at FVOCI and FVPL is based on appropriate valuation techniques.

- The fair value of interest-bearing loans and borrowings is estimated by discounting future cash flows using rates currently available for debt on similar terms and credit risk.
- The fair value of long-term interest-bearing loans and borrowings (maturity higher than one year) is estimated by discounting future cash flows using rates currently available for debt on similar terms and credit risk.

40. Concentration of risk in geographic area

The Group 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.