

P N C Investments L.L.C

Consolidated Financial Statements
For the year ended December 31, 2023

P N C Investments L.L.C
Consolidated Financial Statements
For the year ended December 31, 2023

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Directors' report

The Directors are pleased to submit their report along with the audited consolidated financial statements of P N C Investments L.L.C (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended December 31, 2023.

Main business and operations

The principal activities of the Group are real estate development, investment in land and properties, security control services, general security guard services, sales development, asset holding company, capital investment and management in various enterprises.

The operating results and financial position of the Group are fully set out in the attached consolidated financial statements.

The Group reported a net profit for the year amounting to AED 2,992 million (2022: AED 1,227 million).

Sukuk listing

On July 17, 2023, Sobha Sukuk Limited, (a subsidiary), issued 300,000 five-year Sukuk Certificates with a face value of USD 1,000 each, listed on Nasdaq Dubai (ISIN: XS2633136234), an international financial exchange in the Middle East, amounting to USD 300 million with a coupon rate of 8.75% per annum payable semi-annually from January 17, 2024.

On December 6, 2023, PNC Investments LLC (the obligor of Trust Certificates issued by Sobha Sukuk Limited or "Trust Certificates") repurchased and cancelled the Trust Certificates with a face value of USD 15 million. The issue size outstanding post-cancellation stands at USD 285 million as of the reporting date.

Directors

The Directors during the year and to the date of this report are:

- Mr. Puthan N C Menon
- Mr. Francis Alfred
- Mr. Ravi PNC Menon (Appointed on April 25, 2023)
- Mr. Mahmoud Al Burai (Appointed on July 1, 2023)
- Mr. Jyoti Kumar Agarwal (Appointed on April 25, 2023)

Manager

The Manager during the year and to the date of this report is Mr. Anuj Jain per the trade license of the Company. Mr. Anuj Jain has been authorized by the Board of Directors to sign the consolidated financial statements of the Group for the year ended December 31, 2023 on behalf of the Board of Directors.

Auditors

Grant Thornton were appointed as auditors of the Group for the year ended December 31, 2023. The Directors resolved to release Grant Thornton from any liabilities on auditing the consolidated financial statements for the year ended December 31, 2023. Grant Thornton being eligible, have offered themselves for re-appointment for the year ending December 31, 2024.

The consolidated financial statements for the year ended December 31, 2023 (including comparatives) were approved by the Board of Directors on February 13, 2024 and signed on their behalf by:



Mr. Anuj Jain
Manager
Dubai, United Arab Emirates

Independent Auditor's Report To the Shareholders of P N C Investments L.L.C

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of P N C Investments L.L.C (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, 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 (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

i) Valuation of investment properties and properties under development

As at the reporting date, the Group's investment properties held at fair value amounted to AED 2,278,310 thousand and properties under development held at the lower of cost and their net realisable value amounted to AED 2,269,535 thousand. The Group engaged professionally qualified external independent valuers to determine the fair value of the investment properties. The valuers performed their scope of work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation Global Standards (2017 Edition). The fair value definition as per RICS Valuation Standards, adopted by the external valuers complies with the fair value definition under IFRS.

Independent Auditor's Report

To the Shareholders of P N C Investments L.L.C

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

i) Valuation of investment properties and properties under development (continued)

The valuation of the investment properties is a significant judgement area and is underpinned by a number of assumptions. The existence of significant estimation uncertainty warrants specific audit focus in this area as any error in determining the fair value, could have a material impact on the value of the Group's investment properties and the fair value gain or loss recognised in respect of these investment properties.

Properties under development are stated at lower of cost and their net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale, while investment properties, subsequent to initial recognition at cost, are accounted for using the fair value model.

Our audit procedures, amongst others, included:

- Assessing the competence and independence of the external valuers to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work;
- Based on the outcome of our evaluation, assessing the adequacy of the disclosures in the consolidated financial statements.
- Obtaining the external valuation reports for all properties valued by the external valuers and assessing the valuation approach used by the valuers in determining the respective fair value of the investment properties;
- Testing whether the property specific data supplied to the external valuers by management reflected the underlying property records;
- Performing sensitivity analysis on the significant assumptions to evaluate the extent of the impact of changes in the key assumptions to the conclusions reached by management; and
- We have obtained internally approved budgets and signed sales purchase agreement on sample basis in respect of impairment testing.

ii) Revenue recognition on sale of properties

The Group recognizes revenue on sale of properties in accordance with IFRS 15 "Revenue from Contracts with Customers". The Group recognises revenue on sale of properties either at point in time or over time depending on the terms of the respective contracts with customers and the applicable laws and regulations governing the said contracts. Revenue recognition on sale of properties was considered a key audit matter due to following key elements of judgement and estimation involved that warranted specific audit focus:

- Analysis of whether the contracts comprise one or more performance obligations;
- Determining whether the performance obligations are satisfied over time or at a point in time;
- Estimation of total costs required to meet performance obligations under the contracts with customers and for performance obligations satisfied over time, recognition of proportionate revenue to the extent of satisfaction of performance obligations; and
- Evaluating the probability that the Group will collect the entitled consideration under the contracts with customers.

Independent Auditor's Report**To the Shareholders of P N C Investments L.L.C****Report on the Audit of the Consolidated Financial Statements (continued)****Key Audit Matters (continued)****ii) Revenue recognition on sale of properties (continued)**

Our audit procedures, amongst others, included:

- Assessing the appropriateness of the revenue recognition accounting policies adopted by the Group and its compliance with IFRS;
- Obtaining an understanding of the revenue recognition process followed by the Group;
- Performing test of design and implementation of relevant controls;
- Assessing, on a sample basis, contracts for sale of properties to identify the performance obligations of the Group under these contracts and assessing whether these performance obligations are satisfied over time or at a point in time based on the criteria specified under IFRS 15; and
- Assessing, on a sample basis, the appropriateness of the input method applied in respect of the construction of properties by verifying the costs incurred until the reporting date and compared them to the total estimated costs for the construction, where the performance obligation is satisfied over time.

iii) Acquisition involving entities under common control

During the year, the Company acquired three entities under common control at a mutually agreed consideration of AED 129,487 thousand. Notes 4.22 and 29 in the consolidated financial statements describe the accounting policy, and disclosure of the acquisition involving entities under common control, respectively. Management has adopted the pooling of interest method of accounting for acquisitions under common control. Under this method there is no requirement to recognize the assets and liabilities of the transferred entities at fair value, and hence no goodwill is created upon transfer of control as the balances remain at book value. We have considered this to be a key audit matter on account of its pervasiveness leading to a material impact on the consolidated financial statements as a whole. Given the acquisitions of entities under common control transpired during the reporting period; the assets and liabilities acquired needs to be properly identified, recognised and disclosed; and accurately reflected in the process of consolidation, addressing any potential discrepancies or omissions.

Our audit procedures, amongst others, included:

- Reviewing the share transfer agreements of the acquisitions, and related pertinent supporting documents;
- Testing the validity and completeness of the consideration;
- Assessing the adequacy of the disclosures of acquisitions of entities under common control;
- Reviewing of the pooling of interest method of accounting for acquisitions under common control, and verifying that the date for each business acquisition has been appropriately identified.

Independent Auditor's Report

To the Shareholders of P N C Investments L.L.C

Report on the Audit of the Consolidated Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Directors' report but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Directors' report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (32) of 2021 and their preparation and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report
To the Shareholders of P N C Investments L.L.C

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated 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 those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (32) of 2021, we report that:

- i) We have obtained all the information we considered necessary for the purposes of our audit;
- ii) The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021;
- iii) The Group has maintained proper books of account;



Independent Auditor's Report To the Shareholders of P N C Investments L.L.C

Report on Other Legal and Regulatory Requirements (continued)

- iv) The financial information included in the Directors' report in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;
- v) Refer note 29 for the details of the Company's acquisition of subsidiaries during the financial year ended December 31, 2023;
- vi) Note 13 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted; and
- vii) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended December 31, 2023 any of the applicable provisions of the UAE Federal Law No. (32) of 2021, or of its Memorandum of Association which would materially affect its activities or its consolidated financial position as at December 31, 2023.

Grant Thornton

GRANT THORNTON

Farouk Mohamed

Registration No. 86

Dubai, February 13, 2024

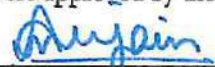


P N C Investments L.L.C
Consolidated Financial Statements

Consolidated statement of financial position
As at December 31, 2023

	Note	2023 AED '000	2022 AED '000
ASSETS			
Non-current			
Property and equipment	5	184,906	57,225
Intangible assets	6	3,172	1,057
Deferred tax asset	28	83	-
Investment properties	7	2,278,310	1,303,186
Properties under development	8	24,109	66,677
Financial asset	9	2,011,692	1,211,049
		<u>4,502,272</u>	<u>2,639,194</u>
Current			
Properties under development	8	2,245,426	1,454,058
Trade and other receivables	10	5,590,549	5,286,478
Other financial assets	11	-	43,974
Due from related parties	13	977	-
Cash and cash equivalents	12	2,106,505	679,155
		<u>9,943,457</u>	<u>7,463,665</u>
TOTAL ASSETS		<u>14,445,729</u>	<u>10,102,859</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	300	300
Statutory reserve	15	150	150
Fair value reserve	18	1,500,291	699,648
Retained earnings		8,182,372	5,261,213
Shareholders' account	16	-	999,619
Total equity attributable to Shareholders of the Company		<u>9,683,113</u>	<u>6,960,930</u>
Non-controlling interest	17	<u>315,010</u>	<u>374,946</u>
TOTAL EQUITY		<u>9,998,123</u>	<u>7,335,876</u>
LIABILITIES			
Non-current			
Employees' end of service benefits	19	15,212	12,776
Borrowings	20	1,127,537	1,578,978
Loan from shareholders	13	1,001,650	-
		<u>2,144,399</u>	<u>1,591,754</u>
Current			
Borrowings	20	429,995	298,512
Finance lease liabilities	21	-	46
Trade and other payables	22	1,624,557	597,136
Due to related parties	13	248,655	279,535
		<u>2,303,207</u>	<u>1,175,229</u>
TOTAL LIABILITIES		<u>4,447,606</u>	<u>2,766,983</u>
TOTAL EQUITY AND LIABILITIES		<u>14,445,729</u>	<u>10,102,859</u>

These consolidated financial statements for the year ended December 31, 2023 (including comparatives) were approved by the Board of Directors on February 13, 2024 and signed on their behalf by:


Mr. Anuj Jain
Manager

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements.

P N C Investments L.L.C
Consolidated Financial Statements

Consolidated statement of comprehensive income
For the year ended December 31, 2023

	Note	2023 AED '000	2022 AED '000
Revenue	23	6,504,427	5,550,175
Direct costs	24	(3,834,717)	(3,397,230)
GROSS PROFIT		2,669,710	2,152,945
Administrative and general expenses	25	(548,957)	(294,783)
Depreciation and amortization	5,6	(21,302)	(16,993)
Selling and marketing expenses	26	(1,338,898)	(652,496)
Finance costs – net	27	(82,627)	(72,803)
Gain on fair value of investment properties	7	2,204,554	77,859
Other income		109,950	33,663
PROFIT BEFORE TAX		2,992,430	1,227,392
Income tax	28	-	-
NET PROFIT FOR THE YEAR		2,992,430	1,227,392
Other comprehensive income/(loss)			
Fair value gain/(loss) on financial asset	9	807,524	(620,765)
Foreign exchange loss on financial asset	9	(6,881)	(202,069)
		800,643	(822,834)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,793,073	404,558
Net profit for the year attributable to:			
Shareholders of the Company		2,993,742	1,227,862
Non-controlling interest		(1,312)	(470)
		2,992,430	1,227,392
Total comprehensive income attributable to:			
Shareholders of the Company		3,794,385	405,028
Non-controlling interest		(1,312)	(470)
		3,793,073	404,558

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements.

P N C Investments L.L.C
Consolidated Financial Statements

Consolidated statement of changes in equity
For the year ended December 31, 2023

	Share capital AED '000	Statutory reserve AED '000	Fair value reserve AED '000	Retained earnings AED '000	Shareholders' account AED '000	Attributable to the owners AED '000	Non-controlling interest AED '000	Total equity AED '000
Balance at January 1, 2022	300	150	1,522,482	3,777,727	999,187	6,299,846	723,683	7,023,529
Net profit for the year	-	-	-	1,227,862	-	1,227,862	(470)	1,227,392
Increase in investment in a subsidiary (note 17.1)	-	-	-	255,624	-	255,624	(348,267)	(92,643)
Net movement in Shareholders' account	-	-	-	-	432	432	-	432
Other comprehensive loss	-	-	(822,834)	-	-	(822,834)	-	(822,834)
Balance at December 31, 2022	300	150	699,648	5,261,213	999,619	6,960,930	374,946	7,335,876
Net profit for the year	-	-	-	2,993,742	-	2,993,742	(1,312)	2,992,430
Increase in investment in a subsidiary (note 17.1)	-	-	-	28,821	-	28,821	(58,624)	(29,803)
On acquisition of entities under common control (note 29)	-	-	-	(11,004)	-	(11,004)	-	(11,004)
Net movement in Shareholders' account (note 16)	-	-	-	-	(999,619)	(999,619)	-	(999,619)
Dividend declared and paid (note 14.1)	-	-	-	(90,400)	-	(90,400)	-	(90,400)
Other comprehensive income	-	-	800,643	-	-	800,643	-	800,643
Balance at December 31, 2023	300	150	1,500,291	8,182,372	-	9,683,113	315,010	9,998,123

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements.

P N C Investments L.L.C
Consolidated Financial Statements

Consolidated statement of cash flows
For the year ended December 31, 2023

	Note	2023 AED '000	2022 AED '000
OPERATING ACTIVITIES			
Net profit for the year		2,992,430	1,227,392
Adjustments for non-cash and non-operating items	32	(2,089,239)	16,135
<i>Operating cash flows before net changes in working capital</i>		903,191	1,243,527
Net changes in working capital	32	1,948,032	166,251
Employees' end of service benefits paid	19	(6,519)	(1,753)
Net cash from operating activities		2,844,704	1,408,025
INVESTING ACTIVITIES			
Purchase of property and equipment	5	(6,400)	(16,950)
Purchase of intangible assets	6	(2,493)	(248)
Acquisition of subsidiaries, net of cash acquired	29	(120,323)	-
Additions to investment properties		(578,909)	(152,077)
Net cash used in investing activities		(708,125)	(169,275)
FINANCING ACTIVITIES			
Proceeds from borrowings	20	1,942,356	105,000
Interest on loan from shareholders paid	13	(18,937)	-
Repayment of finance lease liabilities	21	(52)	(875)
Loan processing fees paid	27	(17,420)	(10,850)
Dividend declared and paid	14.1	(90,400)	-
Increase in investment in a subsidiary	17.1	(29,803)	(70,916)
Repayment of borrowings	20	(2,450,473)	(814,163)
Advances paid	10	(44,500)	(4,828)
Net cash used in financing activities		(709,229)	(796,632)
Net change in cash and cash equivalents		1,427,350	442,118
Cash and cash equivalents, beginning of year		679,155	237,037
Cash and cash equivalents, end of year	12	2,106,505	679,155
Non-cash transactions:			
Net movement in Shareholders' account		999,619	432
Investment property transferred from a related party	7	-	1,902,500
Investment property transferred to a related party	7	8,325	1,902,068
Investment property acquired		-	169,712

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements.

P N C Investments L.L.C
Consolidated Financial Statements

Notes to the consolidated financial statements
For the year ended December 31, 2023

1 Legal status and nature of operations

P N C Investments L.L.C (the "Company") is a limited liability company incorporated in Dubai, United Arab Emirates (UAE) on November 1, 2011 under license no. 661013 issued by Department of Economic Development, Government of Dubai. The registered office of the Company is P.O. Box 125245, Dubai, UAE.

The Company and its subsidiaries are collectively referred to as the "Group".

The principal activities of the Group are real estate development, investment in land and properties, security control services, general security guard services, sales development, asset holding company, capital investment and management in various enterprises.

On December 9, 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses ("Corporate Tax Law" or "the Law") to enact a Federal Corporate Tax (CT) regime in the UAE. The CT regime is effective from June 1, 2023 and accordingly, it has an income tax related impact on the financial statements for accounting period beginning on or after June 1, 2023.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 – Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of certain free zone entities.

For the Company and its subsidiaries taxable in the UAE, current taxes shall be accounted for as appropriate in the consolidated financial statements for the period beginning January 1, 2024. In accordance with the applicable requirements of IAS 12 - Income Taxes, the related deferred tax accounting impact has been considered for these consolidated financial statements.

The Company and its subsidiaries taxable in the UAE have assessed the deferred tax implications for the current reporting period and, after considering its interpretations of the applicable tax law, official pronouncements, cabinet decisions and ministerial decisions, it has been concluded that the deferred tax implications are not expected to be material. Further, the Company and its subsidiaries taxable in the UAE shall continue to monitor critical Cabinet Decisions to determine the impact on the Group, from deferred tax perspective.

The Company holds investments in the following entities (the "Subsidiaries") as at December 31, 2023 and December 31, 2022, which have been consolidated in these consolidated financial statements:

Name of subsidiaries	Country of incorporation and operation	Principal activity	Ownership interest	
			2023	2022
Sobha L.L.C (a)	UAE	Real estate development	100%	100%
Sobha Lifestyle City Limited (b)	UAE	Investment in land and properties	81.48%	78.04%
Sobha Sukuk Limited (c)	Cayman Islands	Special purpose vehicle	-	-
Sobha Real Estate UK Limited (d)	UK	Sales development	100%	-
Sobha Jet Limited (e)	Isle of Man	Asset holding company	100%	-
Sobha Capital L.L.C (f)	UAE	Capital investment and management in various enterprises	100%	-
Sobha Furniture Systems L.L.C (g)	UAE	Furniture manufacturing	100%	-

a) Sobha L.L.C (SLLC) is a limited liability company under UAE Federal Law No. (32) of 2021.

b) Sobha Lifestyle City Limited (SLCL) is a limited liability company under Jebel Ali Free Zone Offshore Companies Regulations of 2018. Refer note 17.1 for the increase in investment in SLCL made during the year.

P N C Investments L.L.C
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

1 Legal status and nature of operations (continued)

c) On May 16, 2023, Sobha Sukuk Limited (the “Entity”) was incorporated as an Exempt Company in the Cayman Islands. Neither the Company nor its subsidiaries hold any direct ownership interest in Sobha Sukuk Limited. The Entity was established as a special purpose vehicle for the issuance of a Sukuk. Based on the applicable terms of agreement between the Entity and the Company, the Company has the current ability to direct the Entity’s relevant activities that most significantly affect the returns. Accordingly, the Entity is determined to be a subsidiary of the Company.

d) Sobha Real Estate UK Limited is a private company limited by shares incorporated in England and Wales and registered under the license number 11156378.

e) Sobha Jet Limited is a company limited by shares registered under the license number 019629V issued by Isle of Man under the Companies Act 2006.

f) Sobha Capital L.L.C is a limited liability company registered under the license number 684321 under UAE Federal Law No. (32) of 2021.

g) Sobha Furniture Systems L.L.C is a limited liability company registered under the license number 1217823 under UAE Federal Law No. (32) of 2021. This subsidiary was incorporated by the Company during the year.

These consolidated financial statements also incorporate the operating results of Latinem Securities (Branch of P N C Investments L.L.C) (the “Branch”) registered with Dubai Economy, Dubai, UAE under the license no. 848740 issued on August 21, 2019.

The Branch’s licensed activities are security control services and general security guard services.

In the prior reporting period, the Company did not have control over the subsidiaries mentioned in (d), (e) and (f) mentioned above. These subsidiaries were acquired during the reporting period through common control transactions and accordingly, these consolidated financial statements are not entirely comparable.

2 Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB).

3 Standards, interpretations and amendments to existing standards

3.1 Standards, interpretations and amendments to existing standards that are effective in 2023

Standards, interpretations and amendments that are effective for the first time in 2023 (for entities with a December 31, 2023, year-end) are:

- IFRS 17 ‘Insurance Contracts’
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)

These standards, amendments and interpretations do not have a significant impact on these consolidated financial statements and therefore the disclosures have not been made.

3.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Group.

P N C Investments L.L.C
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

3 Standards, interpretations and amendments to existing standards (continued)

3.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Group (continued)

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current period have not been disclosed as they are not expected to have a material impact on the Group's consolidated financial statements.

4 Material accounting policies

4.1 Overall considerations

These consolidated financial statements are presented in Arab Emirates Dirham (AED), which is the Company's functional currency and Group's presentation currency. Monetary amounts are expressed in AED currency and are rounded to the nearest thousands.

These consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

4.2 Foreign currency

Foreign currency transactions are converted into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

The consolidated financial statements are presented in Arab Emirates Dirham (AED) and the companies within the Group have a functional currency of Arab Emirates Dirham (AED), United States Dollar (USD) and British Pound Sterling (GBP). As transactions in AED are effectively pegged to the USD, the risk arising from fluctuations in currency exchange rates is only limited to the translation of the subsidiary located in the United Kingdom.

In the consolidated financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the AED (the Group's presentation currency) are translated into AED upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into AED at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve within equity.

4.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at banks including cash held in escrow accounts together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.4 Investment properties

Investment properties are properties held for capital appreciation.

Investment properties are initially recognised at cost. Transaction costs are included in the initial measurement. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Land held for undetermined use is classified as investment property. When the development of investment property commences, it is classified under properties under development until development is complete, at which time it is transferred to the respective category.

P N C Investments L.L.C
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

4.4 Investment properties (continued)

Fair value model

Subsequent to initial recognition, investment properties are accounted for using the fair value model.

Investment properties are revalued periodically and are included in the consolidated statement of financial position at their fair values. Fair value of investment properties at the year-end is based on valuation by the independent professional valuer where market values are not readily available. Where the market values are readily available, the fair value is ascertained based on latest transacted deals in the open market.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in the consolidated statement of comprehensive income.

4.5 Properties under development and properties held for sale

Properties under development include properties under construction for trade, which are stated at lower of cost and net realisable value. Cost includes the cost of purchase, construction, design and architecture, capitalised borrowing costs and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are accrued as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start up to completion of the project are accrued to development properties.

Completion is defined as the earlier of issuance of a certificate of practical completion, or when management considers the project as completed. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of development of the properties. The amount of any write down or provision for properties held for sale is recognised as an expense in the period when the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated profit or loss in the period in which increase takes place.

4.6 Intangible assets

Intangible assets include acquired computer software used in administration that qualify for recognition as an intangible asset. They are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in note 4.23. The estimated useful lives of the Group's intangible assets are 5 years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software.

Costs associated with maintaining computer software, i.e., expenditure relating to patches and other minor updates as well as their installation, is expensed as incurred.

The gain or loss arising on the disposal of an intangible asset is determined as the difference between the proceeds and the carrying amount of the asset and is recognised in the consolidated profit or loss within other income/(expense) - net.

P N C Investments L.L.C
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

4.7 Basis of consolidation

The Group's consolidated financial statements consolidate the financial position and results of the Company and all of its subsidiaries as at December 31, 2023 and December 31, 2022. Subsidiaries are all entities over which the Company has control. Control is presumed to exist when the Company:

- has power over the investee;
- is exposed, or has right, to variable return from its investment with the investee; and
- has the ability to use its power to affect the return.

The consolidated financial statements of the subsidiaries are consolidated on a line-by-line basis from the date on which control is transferred to the Company and they will be de-consolidated from the date that control ceases.

All transactions and balances between Group companies are eliminated in full on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Changes in the proportion held by non-controlling interests

The entity shall recognise directly in equity any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received, and attribute it to the Shareholders of the Company.

4.8 Property and equipment

The cost of an item of property and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Group; and
- the cost of the item can be measured reliably.

Property and equipment are carried at acquisition cost less subsequent depreciation and impairment losses, if any.

Costs include costs incurred initially to acquire or construct an item of property and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property and equipment, the carrying amount of the replaced part is derecognised.

Depreciation is recognised on a straight-line basis to write down property and equipment to its residual value. The following estimated useful lives are applied:

• Buildings	5 years
• Machinery and other equipment	5 years
• Furniture and fixtures	5 years
• Vehicles	5 years
• Aircraft	20 years
• Other assets	1 - 5 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually, whether or not the asset is revalued. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

P N C Investments L.L.C
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

4.8 Property and equipment (continued)

The depreciation charge for each period is recognised in the consolidated profit or loss unless it is included in the carrying amount of another asset. Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the consolidated profit or loss within other income.

Cost and accumulated depreciation values of fully depreciated items of property and equipment which are still being used in operations are not removed from the accounts until these are retired or disposed of.

Capital work in progress is measured at cost and are not depreciated.

4.9 Value-Added Tax (VAT)

Revenue, expenses, and assets are recognized net of the amount of VAT, if applicable. When VAT from sale of goods and/or services (output VAT) exceeds VAT passed on from purchase of goods or services (input VAT), the excess is recognized as a payable in the consolidated statement of financial position. When VAT passed on from purchase of goods or services (input VAT) exceeds VAT from sale of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

4.10 Impairment testing of non-financial assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment, and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

P N C Investments L.L.C
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

4.11 Financial instruments

Recognition, initial measurement and de-recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset has expired, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or has expired.

Financial assets and financial liabilities are measured initially at fair value adjusted by transactions costs.

Financial assets and financial liabilities are measured subsequently as follows:

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified and measured at amortised cost if both of the following conditions are met:

- The asset is held in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest, if any, on the principal amount outstanding.

If the financial asset does not pass either of the above conditions, or only one of the above conditions, it is measured at fair value through profit or loss ('FVTPL'). Even if both conditions are met, management may designate a financial asset at FVTPL if doing so reduces or eliminates a measurement or recognition inconsistency.

As at the reporting date, the Group's financial assets comprise trade and other receivables, due from related parties, quoted equity investments and cash and cash equivalents. Discounting is omitted where the effect of discounting is immaterial.

All income and expenses relating to financial assets measured at amortised cost are recognised in consolidated statement of comprehensive income and presented within 'finance costs – net', except for impairment of trade receivables which is presented within 'administrative and general expenses'.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Quoted equity investments

Quoted equity investments are designated as at fair value through other comprehensive income (FVOCI). The Group elects to present in OCI changes in fair value of equity investments as they are not held for trading. The election is made on initial recognition and is irrevocable. Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in OCI.

P N C Investments L.L.C
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

4.11 Financial instruments (continued)

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1');
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2'); and
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second and third category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include trade and other payables, due to related parties, loan from shareholders, borrowings and finance lease liabilities.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in the consolidated statement of comprehensive income.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the consolidated statement of comprehensive income are included within 'finance costs - net'.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

4.12 Provisions and contingent liabilities

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination. Possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

4.13 Employees' benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense when the employee renders services that increase their entitlement or, in the case of non-accumulating absences, when the absences occur.

Employees' end of service benefits

A provision for employees' end of service benefits is made for the full amount due to employees for their periods of service up to the reporting date in accordance with the U.A.E. Labour Law and is reported as separate line item under non-current liabilities.

The entitlement to end of service benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period as specified in U.A.E. Labour Law. The expected costs of these benefits are accrued over the period of employment. The provision for staff terminal benefit is based on the liability that would arise if the employment of all the employees was terminated at the end of the reporting period.

4.14 Leases

The Group as a lessee

For any new contracts, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Group has the right to direct the use of the identified asset throughout the period of use.

The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

P N C Investments L.L.C
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

4.14 Leases (continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Lease payments not recognized as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

4.15 Share capital and reserves

Share capital represents the nominal value of shares that have been issued.

Statutory reserve is required to be created by UAE Federal Law No. (32) of 2021, as described in note 15.

Fair value reserve comprises the cumulative net change in the fair value of financial assets at FVOCI until the said financial assets are derecognised or impaired.

Retained earnings include all current and prior year profits and losses and adjustments arising as a result of acquisition of subsidiaries through common control transactions.

Shareholders' account represents amount contributed by the shareholders which is not subject to withdrawal in foreseeable future.

P N C Investments L.L.C
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

4.16 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable by the Group, excluding discounts, rebates and duty.

Revenue from contracts with customers

- Step 1 Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.
- Step 2 Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.
- Step 3 Determine the transaction price: Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5 Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognises revenue over time if any one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

The Group allocates the transaction price to the performance obligations in a contract based on the input method which requires revenue recognition on the basis of the Group's efforts or inputs to the satisfaction of the performance obligations. The Group estimates the total costs to complete the projects in order to determine the amount of revenue to be recognised.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or an agent and has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue is recognised in the consolidated financial statements to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if and when applicable can be measured reliably.

P N C Investments L.L.C
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

4.17 Direct costs

Direct costs include cost of land, development costs, material costs, finance cost and salaries and other benefits.

Development costs include the cost of infrastructure and construction. The cost of revenues in respect of sale of properties is recognised on the basis of per square feet average cost of construction. Per square feet average cost of construction is derived from total saleable area and total construction cost.

4.18 Operating expenses

Operating expenses are recognised in the consolidated statement of comprehensive income upon utilisation of the service or at the date of their origin.

4.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'finance costs - net', if any.

4.20 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date in the countries where the Group entities operate and generate taxable income, and any adjustment to tax payable in respect of previous periods. Deferred income taxes are calculated based on the balance sheet liability method.

As described in Note 1, current tax for the Company and its subsidiaries taxable in the UAE shall be accounted for as appropriate in the consolidated financial statements for the period beginning January 1, 2024.

Deferred tax

Deferred tax is recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are recovered, based on the laws that have been enacted or substantively enacted by the reporting date in the countries where the Group entities operate and generate taxable income.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax liabilities are generally recognised in full, although IAS 12 'Income Taxes' specifies limited exemptions. As a result of these exemptions, the Group does not recognise deferred tax on temporary differences related to its investment in subsidiaries.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

P N C Investments L.L.C
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

4.21 Operating segments

An operating segment is a component of the Group that engages in revenue earning business activities; whose operating results are regularly reviewed by the chief operating decision maker and for which discrete financial information is available.

Once an operating segment has been identified, the Group needs to report segment information if the segment meets any of the following quantitative thresholds:

- its reported revenue (external and inter-segment) is 10% or more of the combined revenue, internal and external, of all operating segments or
- its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined profit of all operating segments that did not report a loss and (ii) the combined loss of all operating segments that reported a loss or
- its assets are 10% or more of the combined assets of all operating segments.

IFRS 8 specifies that if the total external turnover reported by the operating segments identified by the size criteria is less than 75% of total Group revenue then additional segments need to be reported on until the 75% level is reached.

If segments have similar economic characteristics, then they can be aggregated into a single operating segment and viewed together for the purposes of the size criteria.

4.22 Acquisitions involving entities or businesses under common control

Management uses the following criteria to evaluate whether an acquisition has substance to apply the purchase method or the pooling of interest method where the transaction lacks substance:

- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
- whether or not the transaction is conducted at fair value;
- the existing activities of the entities involved in the transactions;
- whether or not it is bringing entities together into a reporting entity that did not exist before; and
- where a new company is established, whether it is undertaken in connection with an IPO or spin-off or other change in control and significant change in ownership.

Accounting for acquisitions involving entities or businesses under common control is outside the scope of IFRS 3 “Business Combinations”. In the case of an absence of specific guidance in IFRS, management use their judgement in developing and applying an accounting policy that is relevant and reliable. In making that judgement the management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the IFRS.

Management has adopted the pooling of interest method of accounting for acquisitions under common control. Under this method there is no requirement to fair value the assets and liabilities of the transferred entities and hence no goodwill is created upon transfer of ownership as the balances remain at book value.

P N C Investments L.L.C
Consolidated Financial Statements

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

4.23 Significant management judgment in applying accounting policies and estimation uncertainty

When preparing the consolidated financial statements management undertakes significant judgments, estimates and assumptions in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements and about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results.

Impairment of financial assets

The carrying amounts of the Group's financial assets are reviewed at each consolidated statement of financial position date or whenever there is any indication of impairment. If any such indication exists, the recoverable value of the financial assets is estimated. An impairment loss is recognised where the carrying amount of a financial asset exceeds its recoverable value. Impairment losses are recognised in the consolidated statement of comprehensive income.

Use of estimates and judgements - IFRS 15

Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has assessed that based on the sale and purchase agreements entered into with customers with specific identification of unit, and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customer, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstances, the Group recognises revenue over time. Where this is not the case, revenue is recognised at a point in time.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement, the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component in the contract and any non- cash consideration in the contract.

Transfer of control in contracts with customers

In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the assets that is subject to the contract is transferred to the customer. In case of contracts to sale real estate assets, this is generally when the unit is handed over to the customers.

Allocation of transaction price to performance obligations in contracts with customers

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognised over time. The Group considers that the use of the input method which requires revenue recognition on the basis of the Group's efforts to the satisfaction of performance obligations provides the best reference for revenue actually earned. In applying the input method, the Group estimates the costs to complete the project in order to determine the amount of revenue to be recognised. The estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

Cost to complete the projects

The Group has estimated the costs to complete the projects in order to determine the cost attributable to the revenue being recognised. The estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

4 Material accounting policies (continued)

4.23 Significant management judgment in applying accounting policies and estimation uncertainty (continued)

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Group's assets within the next financial year. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Control assessment

The Company reassesses whether or not it controls or has significant influence over an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control listed in note 4.7. Management has reviewed its control assessments in accordance with IFRS 10 and IAS 28 and has concluded that there is no effect on the classification of any of the Company's investee held during the year or comparative periods covered by or under these consolidated financial statements.

4.24 Estimation uncertainty

Determination and measurement of useful lives of property and equipment and intangible assets

The Group estimates the useful lives of its property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment and intangible assets based on factors that include asset utilisation, internal technical evaluation, technological changes, environmental and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives would increase the recorded depreciation expense for property and equipment and amortization expense for intangible assets and decrease the carrying value of the related assets. Residual values are not considered as they are deemed immaterial.

Properties under development

Management estimates the net realisable values of properties, taking into account the most reliable evidence available at each reporting date. The future realisation of these properties may be affected by future circumstances that may reduce future selling prices.

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4 Material accounting policies (continued)

4.24 Estimation uncertainty (continued)

Fair value of investment properties

Investment property is stated at fair value as at the reporting date. Gain or losses arising from changes in the fair values are included in the consolidated statement of comprehensive income in the year in which they arise. The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation techniques. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group's properties. When the fair value of the properties is assessed to be not significantly different from its last valuation, such properties are recorded at the value of the last valuation.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets and discount rates applicable to those assets. These estimates are based on local market conditions existing at the end of the reporting period.

Where market values are readily available, determining fair values of investment property is dependent on management's judgment as to what it considers as comparable units in the active market. Judgment is influenced by various criteria such as but not limited to unit type, floor area and unit location within a property. If the assumptions used under these methods are changed, the fair value may also change significantly.

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For the year ended December 31, 2023

5 Property and equipment

2023	Buildings AED '000	Machinery and other equipment AED '000	Furniture and fixtures AED '000	Vehicles AED '000	Aircraft* AED '000	Other assets AED '000	Capital work in progress AED '000	Total AED '000
Cost								
Balance at January 1, 2023	74,646	10,259	1,729	8,778	-	11,257	2,274	108,943
Additions	3,101	2,496	652	151	-	-	-	6,400
On acquisition of subsidiaries (note 29)	-	2,699	382	-	158,836	-	-	161,917
Written-off	-	-	-	(2,612)	-	-	(2,274)	(4,886)
Balance at December 31, 2023	77,747	15,454	2,763	6,317	158,836	11,257	-	272,374
Accumulated depreciation								
Balance at January 1, 2023	25,507	7,178	1,561	7,894	-	9,578	-	51,718
On acquisition of subsidiaries (note 29)	-	2,373	286	-	14,622	-	-	17,281
Charge for the year	15,520	616	242	579	2,654	1,313	-	20,924
Written-off	-	-	-	(2,455)	-	-	-	(2,455)
Balance at December 31, 2023	41,027	10,167	2,089	6,018	17,276	10,891	-	87,468
Net carrying amount as at December 31, 2023	36,720	5,287	674	299	141,560	366	-	184,906

*During the year, the aircraft with a carrying value of AED 141,560 thousand was mortgaged to a financial institution against the Group's borrowings.

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Notes to the consolidated financial statements (continued)
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5 Property and equipment (continued)

2022	Buildings AED '000	Machinery and other equipment AED '000	Furniture and fixtures AED '000	Vehicles** AED '000	Other assets AED '000	Capital work in progress AED '000	Total AED '000
Cost							
Balance at January 1, 2022	59,443	7,114	1,571	8,599	11,257	4,191	92,175
Additions	11,012	3,145	158	361	-	2,274	16,950
Transfer	4,191	-	-	-	-	(4,191)	-
Written off	-	-	-	(182)	-	-	(182)
Balance at December 31, 2022	74,646	10,259	1,729	8,778	11,257	2,274	108,943
Accumulated depreciation							
Balance at January 1, 2022	11,841	5,922	1,519	7,000	9,277	-	35,559
Charge for the year	13,666	1,256	42	1,076	301	-	16,341
Written off	-	-	-	(182)	-	-	(182)
Balance at December 31, 2022	25,507	7,178	1,561	7,894	9,578	-	51,718
Net carrying amount as at December 31, 2022	49,139	3,081	168	884	1,679	2,274	57,225

**During the prior year, certain vehicles with a carrying value of AED 65 thousand were mortgaged to the bank against the Group's finance lease liabilities.

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For the year ended December 31, 2023

6 Intangible assets

Computer software	2023 AED '000	2022 AED '000
Cost		
Opening balance	5,447	5,199
Additions	2,493	248
Closing balance	7,940	5,447
Accumulated amortization		
Opening balance	4,390	3,738
Charge for the year	378	652
Closing balance	4,768	4,390
	3,172	1,057

7 Investment properties

	2023 AED '000	2022 AED '000
Opening balance	1,303,186	2,712,198
Fair value gain	2,204,554	77,859
Additions (c)	1,216,519	321,789
On acquisition of subsidiary (note 29)	84,557	-
Transferred from a related party (note 13) (a)	-	1,902,500
Transferred from properties under development (note 8)	-	187,702
Transferred to a related party (note 13) (a)	(8,325)	(1,902,068)
Transferred to properties under development (note 8) (b)	(2,522,181)	(1,996,794)
	2,278,310	1,303,186
	2023 AED '000	2022 AED '000
Particulars	Location	
Building	7 units of commercial space in 'Sobha Sapphire' – Business Bay, Dubai, UAE	24,847
Land	Plot No 6110129, Bukadra, Dubai (a)	2,119,544
Land	Plot No 1238 (643-8092), Wadi Al Safa Two, Dubai (b)	-
Land	MS-07 & MS-08*	87,890
Land	Plot No 1374, Jabal Ali Industrial first, Dubai, UAE (c)	46,029
		2,278,310
		1,303,186

*Plot no MS-07 & MS-08 pertains to land parcels acquired as a result of acquisition of Sobha Capital LLC, through a common control transaction on September 30, 2023. The Group recorded a fair value gain of AED 3.3 million in respect of this property, pursuant to the fair valuation exercise carried out on December 31, 2023.

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Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

7 Investment properties (continued)

(a) By virtue of a Land Swap Agreement, ("Agreement") dated June 30, 2022, between P N C Investments L.L.C ("PNCI") and Mr. Puthan NC Menon ("PNC Menon"); PNCI transferred the following properties to PNC Menon:

- Plot No. MS 7-8 located at Hartland, Godolphin River City, Meydan, Dubai, UAE including property under development thereon with a combined value of AED 427,982 thousand;
- Plot No. 4277, located at Hadaeq Sheikh Mohammed Bin Rashid, Dubai, UAE with a value of AED 1,105,564 thousand; and
- Plot No. 4278, located at Hadaeq Sheikh Mohammed Bin Rashid, Dubai, UAE with a value of AED 368,520 thousand.

In exchange for the above, as per the terms of the Agreement, PNC Menon transferred the following properties to PNCI:

- Plot No. 6110129, Bukadra, Dubai, UAE with a value of AED 1,125,000 thousand;
- Plot No. 438 (112-113), Ras Al Khor, Industrial First, Dubai, UAE with a value of AED 320,000 thousand; and
- Plot No. 16 (347-380), Sobha Hartland, Al Merkadh, Dubai, UAE with a value of AED 457,500 thousand.

The above transfers of investment property from the shareholder to the Company were conducted at the estimated fair value on the respective date of transfer.

(b) On January 1, 2022, the Group transferred investment properties located at Plot No. MS 1-6, located at Hartland, Godolphin River City, Meydan, Dubai, UAE, with a value of AED 720,840 thousand to properties under development, for the purpose of developing real estate projects on the said properties.

On June 30, 2022, the Group transferred investment property with a value of AED 61,991 thousand, which formed part of the total value of AED 457,500 thousand pertaining to the investment property located at Plot No. 16 (347-380), Sobha Hartland, Al Merkadh, Dubai, UAE and investment property located at Plot No. HO3, Al Merkadh Dubai, UAE with a value of AED 132,007 thousand to properties under development, for the purpose of developing real estate projects on the said properties.

On December 31, 2022, the Group recorded a fair value gain of AED 35,000 thousand in respect of Plot No. 6110129, pursuant to the fair valuation exercise carried out on December 31, 2022. On January 1, 2023 and April 1, 2023 the Group transferred investments property amounting to AED 150,000 thousand and AED 71,898 thousand respectively to properties under development, for the purpose of developing real estate projects on the said properties. The Group recorded a fair value gain of AED 36,176 thousand in respect of this property, pursuant to the fair valuation exercise carried out on June 30, 2023. On July 10, 2023, the Group transferred investment property amounting to AED 1,511,452 thousand to properties under development. Further, on December 1, 2023, the Group purchased additional rights to Gross Floor Area (GFA) for change in the development scope and usage of the investment property amounting to AED 500,000 thousand. Further, during the year, the Group transferred certain portion of the plot to a key management personnel of the Company amounting to AED 8,325 thousand (note 13). The Group recorded a fair value gain of AED 2,165,045 thousand in respect of this property, pursuant to the fair valuation exercise carried out on July 10, 2023 and December 31, 2023 respectively.

On June 30, 2022, the Group recorded a fair value gain of AED 5,110 thousand in respect of the investment property located at Plot No. MS 9, located at Hartland, Godolphin River City, Meydan, Dubai, UAE, resulting in a revised fair value of AED 125,250 thousand.

On July 1, 2022, the Group transferred investment property located at Plot No. MS 9, located at Hartland, Godolphin River City, Meydan, Dubai, UAE, with a value of AED 125,250 thousand, Plot No. 438 (112-113), located at Ras Al Khor, Industrial First, Dubai, UAE with a value of AED 320,000 thousand and Plot No. 16 (347-380), located at Sobha Hartland, Al Merkadh, Dubai, UAE with a value of AED 395,508 thousand to properties under development, for the purpose of developing real estate projects on the said properties.

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Notes to the consolidated financial statements (continued)
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7 Investment properties (continued)

(c) On June 9, 2022, the Company purchased an investment property located at Plot No. 1238 (643-8092), Wadi Al Safa Two, Dubai, UAE for an amount of AED 80,591 thousand at an auction. On December 31, 2022, the Group recorded a fair value gain of AED 37,748 thousand in respect of this property, pursuant to the fair valuation exercise carried out on December 31, 2022. On March 2, 2023, the Company paid an additional amount of AED 40,014 thousand to DUBAI LAND (LLC) for change in the development scope and usage of the investment property. On April 1, 2023 and July 1, 2023 the Group transferred AED 75,498 thousand and AED 82,856 thousand to properties under development, for the purpose of developing real estate projects on the said property.

On January 26, 2023, the Company purchased and transferred the investment property to properties under development located at Plot No. 855 (393-5816), Al Thanyah Fifth Community, Dubai, UAE for an amount of AED 147,173 thousand for the purpose of developing real estate projects on the said properties.

On December 28, 2022, the Company purchased an investment property located at Plot No. 3680 (392-660), Marsa, Dubai, UAE for an amount of AED 241,197 thousand from a third party. On the same date, the Group transferred the said investment property to properties under development, for the purpose of developing real estate projects on the said property. Further, during the year, the Company purchased an investment property adjacent to Plot No. 3680, located at Plot No. 3681 (392-661) and Plot No. 3682 (392-662), Marsa, Dubai, UAE amounting to AED 483,302 thousand from a third party which was transferred to properties under development for the purpose of developing real estate projects on the said property.

On May 3, 2023, the Company purchased an investment property located at Plot No. 1374 (599-221), Jabal Ali Industrial First, Dubai, UAE for an amount of AED 46,029 thousand.

As of the reporting date, the Company has AED 691,425 thousand (2022: AED 169,712 thousand), payable in relation to the purchase of investment properties (refer note 22).

Note 34 sets out the method used for the determination of the estimated fair value of the investment properties.

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Notes to the consolidated financial statements (continued)
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8 Properties under development

	2023	2022
	AED '000	AED '000
Properties under development	2,269,535	1,520,735

Movement in the properties under development during the year is as follows:

	2023	2022
	AED '000	AED '000
Opening balance	1,520,735	1,539,204
Transferred from investment properties (note 7)	2,522,181	1,996,794
Additions during the year	2,050,617	1,564,580
Transferred to investment properties (note 7)	-	(187,702)
Transferred to direct costs – net	(3,823,998)	(3,392,141)
Closing balance	2,269,535	1,520,735
Less: Non-current portion	(24,109)	(66,677)
Current portion	2,245,426	1,454,058

Properties under development represents the cost of land, development cost of villas, apartments and infrastructure being developed within the Sobha Hartland project, located at Mohammed Bin Rashid Al Maktoum City, Sobha One project located at Ras Al Khor, S-Tower project located at Sheikh Zayed Road, Dubai, Sobha Verde project located at Al Thanyah Fifth Community, Dubai, Sobha Reserve project located at Plot No 1238 (643-8092), Wadi Al Safa Two, Dubai, Sobha Sea Haven project located at Al Marsa, Dubai Marina, Dubai, UAE and Sobha Hartland project located at Bukadra, Dubai, UAE.

Additions to properties under development include capitalised borrowing costs amounting to AED 33,751 thousand (2022: AED 69,007 thousand) (note 27).

9 Financial asset

	2023	2022
	AED '000	AED '000
Future sale proceeds of equity instrument at FVOCI	2,011,692	1,211,049

Movement in the financial asset is as follows:

	2023	2022
	AED '000	AED '000
Opening balance	1,211,049	2,033,883
Change in fair value	807,524	(620,765)
Foreign exchange loss	(6,881)	(202,069)
Closing balance	2,011,692	1,211,049

The shareholders of PNC Investments LLC (the “Declarants”) being the legal and beneficial owners of 48.58% of the shares in Sobha Limited, an entity listed in India (“Sobha Limited Shares”), had entered into a Deed of Declaration in favour of the PNC Investments LLC (the “Company”), declaring to assign any sale proceeds received in the event of any sale, transfer or other similar disposal of the Sobha Limited Shares to the Company. Consequently, the Company has accounted for such assignment to receive the proceeds as a financial asset and the valuation is linked to the fair value of the Sobha Limited Shares as determined with reference to the published price in the quoted market.

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10 Trade and other receivables

	2023	2022
	AED '000	AED '000
<i>Financial assets</i>		
Trade receivables	5,141,323	4,960,512
Deposits	129,660	20,448
Other receivables	2,124	-
	<u>5,273,107</u>	<u>4,980,960</u>
<i>Non-financial assets</i>		
Prepayments	5,150	13,577
Advance to suppliers	57,651	62,358
Advances**	44,500	4,828
VAT receivable – net	46,371	33,903
Deferred expenses*	160,477	188,359
Staff advances	3,293	2,493
	<u>317,442</u>	<u>305,518</u>
	<u>5,590,549</u>	<u>5,286,478</u>

*This represents commission paid to third party brokers.

**Advances of AED 44,500 thousand (2022: AED 4,828 thousand) represents amounts paid in advance to certain minority shareholders of Sobha Lifestyle City Limited, in relation to the purchase of certain shares of the minority shareholders. The said advances shall be treated as an increase in investment in subsidiary after the completion of the necessary legal process.

11 Other financial assets

	2023	2022
	AED '000	AED '000
Deposits – current	-	43,974

12 Cash and cash equivalents

	2023	2022
	AED '000	AED '000
Cash on hand	8,766	19,741
Cash at banks		
- in escrow account*	689,149	518,569
- in current account	1,408,590	140,845
	<u>2,097,739</u>	<u>659,414</u>
Cash and cash equivalents	<u>2,106,505</u>	<u>679,155</u>

*The balance in escrow account relates to advance collected from customers which are available for payments relating to construction of properties under development.

Certain escrow accounts maintained in the name of Sobha L.L.C are under lien against the Group's borrowings (note 20).

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13 Related parties

The Group in the normal course of business carries on business with other enterprises that fall within the definition of a related party. The Group's related parties include its Shareholders, key management personnel, and entities controlled by such parties. Transactions with related parties normally comprise transfer of resources, services, or obligations between the parties. Transactions carried out with related parties are measured at amounts agreed by both parties.

Balances with related parties included in the consolidated statement of financial position are as follows:

	2023 AED' 000	2022 AED' 000
Due from related parties		
<i>Associated undertakings</i>		
Sobha Furniture Industries LLC	274	-
Sobha Modular Industries LLC	499	-
SIA Landscaping	204	-
	<u>977</u>	<u>-</u>
	2023 AED' 000	2022 AED' 000
Due to related parties		
<i>Associated undertakings</i>		
Sobha Constructions L.L.C	177,625	257,598
Sobha Corporate L.L.C	16,322	-
PNC Architects	45,304	21,927
Latinem Facilities Management LLC	9,404	-
Other related parties	-	10
	<u>248,655</u>	<u>279,535</u>
	2023 AED' 000	2022 AED' 000
Loan from shareholders		
Opening balance	-	-
Transfer from shareholders' account* (note 16)	999,619	-
Interest expense on loan from shareholders (note 27)	20,968	-
Repaid during the year	(18,937)	-
Closing balance	<u>1,001,650</u>	<u>-</u>

*On October 1, 2023, the Company entered into a loan agreement with Mr. Puthan NC Menon and Mrs. Sobha Menon (together referred to as the "Shareholders") for an unsecured term loan facility with an amount not exceeding AED 5bn, including any transfer of funds from the Shareholders' account which shall be available to the Company in multiple tranches as and when requested by the Company, on the terms, and subject to the conditions specified in the agreement (hereinafter referred to as the "Shareholders' Loan"). The Shareholders' Loan shall be subordinated in favor of all the external borrowings of the Group and the principal amount is repayable after 10 years from the date of the first drawdown, subject to the condition that, the cash and cash equivalents of the Group less external borrowings shall remain positive, post the repayment of the Shareholders' Loan. As per the terms of the Shareholders' Loan, early settlement, if any, shall be made subject to the approval of the Board of Directors of the Company in addition to the conditions stipulated above.

The interest on the utilized facility shall accrue every quarter at the rate of 3 Months SOFR (Secured Overnight Financing Rate) + 300 basis points, subject to, the aggregate of interest accrued, and dividend declared by the Company, if any, shall be capped at 30% of the net profit of the Group for each reporting period during the Shareholders' Loan's tenure.

Consequently, effective October 1, 2023, the Board of Directors of the Company, resolved to transfer the amount of AED 999,619 thousand from the shareholders' account to the loan account (note 16).

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Notes to the consolidated financial statements (continued)
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13 Related parties (continued)

Key management personnel compensation

Key management personnel of the Group are the Chairman, Co-Chairman, Group Chief Financial Officer, Chief Executive Officer, Chief Financial Officer, Director and the Manager. During the year, the key management personnel compensation was as follows:

	2023	2022
	AED '000	AED '000
Salaries and benefits	67,005	35,321
Transfer of investment property (note 7)	8,325	-

Transactions with related parties

Significant transactions carried out with related parties are as follows:

	2023	2022
	AED '000	AED '000
Construction and development expenses for properties under development	1,757,199	1,127,771
Royalty expenses (note 26)	16,322	-
Interest on loan from shareholders (note 27)	20,968	-
Project design and supervision fee charged by a related party	124,309	54,172
Administration and management fee (note 25)	10,068	14,487
Transfer of investment properties from a related party (note 7)	-	1,902,500
Transfer of investment properties to a related party (note 7)	-	1,902,068

14 Share capital

The authorised, issued and fully paid-up share capital of the Company is AED 300,000 divided in to 300 shares of AED 1,000 each.

	2023	2022
	AED '000	AED '000
Authorised, issued and fully paid-up share capital (300 shares)	300	300

The shareholding is as follows:

	2023			2022		
	%	No. of shares	AED'000	%	No. of shares	AED'000
Mr. Puthan N C Menon	53%	159	159	53%	159	159
Mrs. Sobha Menon Raghavan Nair	47%	141	141	26%	78	78
Mrs. Bindu PNC Menon*	-	-	-	21%	63	63
	100%	300	300	100%	300	300

*On January 9, 2023, the share capital of the Company held by Mrs. Bindu PNC Menon was transferred to Mrs. Sobha Menon Raghavan Nair.

14.1 Dividend

During the year, the Group declared and paid dividends amounting to AED 90,400 thousand (2022: AED nil).

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15 Statutory reserve

In accordance with the Articles of Association of the Company and Article 103 of the Federal Law No. (32) of 2021, a minimum of 5% of the net profit of the Company is required to be allocated every year. Such transfers are required to be made until the balance on the statutory reserve equals one half of the Company's paid-up share capital.

16 Shareholders' account

	2023 AED '000	2022 AED '000
Mr. Puthan N C Menon	-	132,961
Mrs. Sobha Menon Raghavan Nair	-	849,537
Mrs. Bindu PNC Menon	-	17,121
	-	999,619

*By virtue of transfer in shareholding referred to in note 14 above, the Shareholders' current account balance of AED 17,121 thousand previously held by Mrs. Bindu PNC Menon was transferred to Mrs. Sobha Menon Raghavan Nair.

On October 1, 2023, the Board of Directors of the Company, resolved to transfer the amount of AED 999,619 thousand from the shareholders' account to the loan account effective October 1, 2023 (note 13).

17 Non-controlling interest (NCI)

	2023 AED '000	2022 AED '000
Sobha Lifestyle City Limited (a)	315,010	374,946

(a) This represents 18.52% (2022: 21.96%) interest held by various shareholders in the capital and reserves of Sobha Lifestyle City Limited at the reporting date.

The movement in NCI is as follows:

	Sobha Lifestyle City Limited AED '000
2023	
Balance at January 1, 2023	374,946
Increase of investment in subsidiary	(58,624)
Share of loss for the year	(1,312)
Balance at December 31, 2023	315,010
2022	
Balance at January 1, 2022	723,683
Increase of investment in subsidiary	(348,267)
Share of loss for the year	(470)
Balance at December 31, 2022	374,946

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2023

17 Non-controlling interest (continued)

17.1 Subsidiary with material non-controlling interests

The Group's consolidated financial statements include following subsidiary, with material non-controlling interests (NCI):

Name	Proportion of ownership interests held by the NCI		Loss allocated to NCI		Principal activity and principal place of business	
	2023	2022	2023	2022	2023	2022
			AED '000	AED '000		
Sobha Lifestyle City Limited	18.52%	21.96%	1,312	470	Investment in land and properties approved by JAFZA or any other free hold property in the United Arab Emirates	

Summarised financial information for the subsidiary in which material non- controlling interests has been identified before intragroup eliminations, is set out below:

	Sobha Lifestyle City Limited	
	2023	2022
	AED '000	AED '000
Non-current	-	-
Current assets	2,019,809	2,077,812
Total assets	2,019,809	2,077,812
Non-current	-	-
Current liabilities	318,757	370,278
Total liabilities	318,757	370,278
Equity attributable to Shareholders of the Company	1,386,042	1,332,588
Non-controlling interests	315,010	374,946

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17 Non-controlling interest (continued)

17.1 Subsidiary with material non-controlling interests (continued)

	Sobha Lifestyle City Limited	
	2023	2022
	AED '000	AED '000
Revenue	-	-
Loss for the year attributable to Shareholders of the Company	(5,170)	(1,669)
Loss for the year attributable to NCI	(1,312)	(470)
Net loss for the year	(6,482)	(2,139)
Net cash used in operating activities	(1)	(1)
Net cash from investing activities	-	-
Net cash from financing activities	-	-
Net cash outflow	(1)	(1)

The increase in investment in the subsidiary was affected as follows:

	Sobha Lifestyle City Limited	
	2023	2022
	AED '000	AED '000
Consideration for purchase of additional interests	29,803	92,643
Carrying value of the additional interests acquired	58,624	348,267
Recognised in retained earnings	(28,821)	(255,624)

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18 Fair value reserve

The carrying value of fair value reserve as at the reporting date and the movement during the year can be analysed as follows:

	2023	2022
	AED '000	AED '000
Opening balance	699,648	1,522,482
Fair value change on financial assets (note 9)	807,524	(620,765)
Foreign exchange loss on financial assets (note 9)	(6,881)	(202,069)
Closing balance	<u>1,500,291</u>	<u>699,648</u>

19 Employees' end of service benefits

	2023	2022
	AED '000	AED '000
Opening balance	12,776	10,331
Charge for the year	8,955	4,198
Payments made during the year	(6,519)	(1,753)
Closing balance	<u>15,212</u>	<u>12,776</u>

20 Borrowings

	2023			2022		
	Current	Non-current	Total	Current	Non-current	Total
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Term finance	217,755	80,874	298,629	177,474	1,489,674	1,667,148
Foreign currency loan	-	-	-	121,038	89,304	210,342
Short term loan	181,833	-	181,833	-	-	-
Sukuk	30,407	1,046,663	1,077,070	-	-	-
	<u>429,995</u>	<u>1,127,537</u>	<u>1,557,532</u>	<u>298,512</u>	<u>1,578,978</u>	<u>1,877,490</u>

The movement in borrowings is as follows:

	2023	2022
	AED '000	AED '000
Opening balance	1,877,490	2,455,790
Additions during the year	1,942,356	105,000
On acquisition of subsidiary (note 29)*	110,175	-
Interest expense on borrowings (note 27)	77,984	130,863
Repayments during the year	(2,450,473)	(814,163)
Closing balance	<u>1,557,532</u>	<u>1,877,490</u>

*This pertains to a loan obtained by Sobha Jet Limited (a subsidiary), prior to the acquisition of this subsidiary by the Company (note 29). During the reporting period, on December 21, 2023, this loan was fully settled by the subsidiary.

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20 Borrowings (continued)

Sukuk Certificates

On July 17, 2023, Sobha Sukuk Limited, (a subsidiary), issued 300,000 five-year Sukuk Certificates with a face value of USD 1,000 each, listed on Nasdaq Dubai (ISIN: XS2633136234), an international financial exchange in the Middle East, amounting to USD 300 million with a coupon rate of 8.75% per annum payable semi-annually from January 17, 2024.

On December 6, 2023, PNC Investments LLC (the obligor of Trust Certificates issued by Sobha Sukuk Limited or "Trust Certificates") repurchased and cancelled Trust Certificates with a face value of USD 15 million. As at the reporting date, Trust Certificates with a face value of USD 285 million remain issued and outstanding.

The fair value of the Trust Certificate as of the reporting date was USD 998.25 per sukuk.

Loan from financial institutions

Bank loans represents Term finance and foreign currency loan obtained from financial institutions.

1) Term finance:

During the current year, SLLC availed a new term loan facility ("Facility 1") from a financial institution amounting to AED 256 million (USD 69.8 million) of which SLLC received AED 169 million during the current year. Further, during the current year, the Company availed a term loan facility ("Facility 2") from a financial institution amounting to AED 220 million (USD 60 million) of which the Company received AED 81 million during the current year. Both Facility 1 and Facility 2 have been fully repaid by SLLC during the year.

During the year 2021, SLLC availed a term loan facility ("Facility 3") from a financial institution with a sanctioned limit of AED 735 million, of which SLLC received an amount of AED 105 million during the prior year. In the current year, SLLC received an additional amount of AED 208 million from the financial institution. The total principal balance outstanding on this loan as of December 31, 2023, amounted to AED 200 million. Subsequently, in the month of January 2024, the loan was settled in full by SLLC.

During the year 2014, the Company obtained a term finance facility ("Facility 4") from a financial institution amounting to AED 500 million. The term finance facility carried variable profit rate at prevailing market rates. The facility was for a period of 5 years. During the year 2019, the Company signed an amendment agreement with the financial institution to extend the repayment of AED 480 million, the outstanding loan amount as of the date of amendment, over a period of 4 years, from the date of amendment. Facility 4 having an outstanding balance of AED 334 million was fully repaid by the Company in the current year.

During the year 2018, the Company obtained a term of loan facility ("Facility 5") from a financial institution amounting to AED 140 million. The term finance facility carried variable interest rate at the prevailing market rates. Facility 5 having an outstanding balance of AED 45 million was fully repaid by the Company in the current year.

During the year 2018, SLLC obtained a term loan ("Facility 6") from a financial institution amounting to AED 225 million against a total sanctioned amount of AED 354 million. The loan was to be repaid in four quarterly instalments. During the year 2019, SLLC received an additional amount of AED 86 million against the total facility amount. During 2021, SLLC received an additional amount of AED 21.96 million against the total facility amount. Tranches of the loan had applicable payment moratorium ranging from 5 – 11 quarters from the date of tranche disbursement. The term finance facility carried variable interest rate at the prevailing market rates. During the prior year, Facility 6 having an outstanding balance of AED 99 million was repaid in full by SLLC.

During the year 2020, the Company obtained a term loan ("Facility 7") facility from a financial institution amounting to AED 1,400 million. The term finance facility carries variable profit rate at the prevailing market rates. The facility is for a period of 5 years. During the current year, AED 1,147 million was paid against Facility 7 and the liability was settled in full.

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20 Borrowings (continued)

Loan from financial institutions (continued)

1) Term finance (continued):

Sobha Jet Limited (a subsidiary) entered into a new term loan facility amounting to USD 30 million ("Facility 8") on December 21, 2023, in respect of the purchase of an aircraft. The loan is to be repaid in 60 equal monthly instalments commencing January 2024.

On November 1, 2023, the Company entered into a new short-term working capital loan facility ("Facility 9") with a financial institution carrying an interest rate of SOFR + 3.6% p.a. The principal outstanding loan as of the reporting date amounted to USD 50 million (AED 181 million).

2) Foreign currency loan:

During the year 2017, SLLC obtained a foreign currency loan ("Facility 10") from a financial institution amounting to USD 50 million (AED 184 million) towards development of certain projects at Sobha Hartland. In 2018, the facility agreement was amended and an additional USD 50 million (AED 184 million) was sanctioned of which USD 48 million (AED 176 million) was disbursed by the financial institution. The loan tenure is 7 years from date of initial disbursement and carries interest at the prevailing market rates and is payable semi-annually. During the year 2021, the repayment of the foreign currency loan commenced upon completion of the moratorium period of 4 years from the date of the agreement amendment. Facility 10 having an outstanding balance of AED 210 million was fully repaid by SLLC in the current year.

The above borrowing facilities are secured by way of:

- Joint and several personal guarantees from all Shareholders of P N C Investments L.L.C;
- Pledge of 'Facility Service Reserve Account' / 'Debt Service Reserve Account';
- Assignment of receivables by the proposed contractor Sobha Construction LLC;
- Assignment of insurance policies to respective financial institutions, as per the agreed terms;
- First and exclusive charge by way of mortgage on Plot No. 25 identification number 347-0383 (including immovable structures, present & future) pertaining to the Crest project in "Sobha Hartland".
- Assignment of Development rights of project named "The Crest" and structures, present and future, situated at Municipality No 347-0383, Dubai, UAE.
- First and exclusive charge on receivables deposited/to be deposited in Escrow Accounts from sold and unsold inventory of the Crest project in Sobha Hartland.
- Corporate guarantee of P N C Investment L.L.C;
- First and exclusive charge by way of mortgage on aircraft with Airframe no 72104 (model GVII-G500 (G500)).

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21 Finance lease liabilities

Finance lease liabilities recognised in the consolidated statement of financial position can be analysed as follows:

	2023		2022	
	Current AED '000	Non-current AED '000	Current AED '000	Non-current AED '000
Finance lease liabilities	-	-	46	-

The movement in the finance lease liabilities is as follows:

	2023 AED '000	2022 AED '000
Opening balance	46	824
Finance cost (note 27)	6	97
Repayments	(52)	(875)
Closing balance	-	46

During the prior year, the net carrying amount of the Group's assets held under a finance lease arrangement was AED 65 thousand.

Finance lease liabilities were secured by the related assets held under finance leases. Future minimum finance lease payments at the end of each reporting period were as follows:

	Minimum lease payments due		
	Within 1 year AED '000	More than 1 year AED '000	Total AED '000
December 31, 2023			
Lease payments	-	-	-
Finance charges	-	-	-
Net present value	-	-	-
December 31, 2022			
Lease payments	52	-	52
Finance charges	(6)	-	(6)
Net present value	46	-	46

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22 Trade and other payables

	2023	2022
	AED '000	AED '000
<i>Financial liabilities</i>		
Trade payables*	822,267	304,523
Provision for leave pay and air tickets	15,795	10,270
Staff payables	63,918	1,514
Accruals	215,244	213,955
Other	2,345	384
	<u>1,119,569</u>	<u>530,646</u>
<i>Non-financial liabilities</i>		
Advance from customers**	472,426	19,377
Excess billings	32,562	47,113
	<u>504,988</u>	<u>66,490</u>
	<u>1,624,557</u>	<u>597,136</u>

*Trade payables include AED 691,425 thousand (2022: AED 169,712 thousand) payable in relation to the purchase of investment properties (note 7).

**Advance from customers mainly represent amounts received from customers against sale of villas, apartments and properties in accordance with the payment schedule stated in the sale and purchase agreements with customers.

23 Revenue

	2023	2022
	AED '000	AED '000
Revenue from sale of apartments and villas	6,552,585	5,555,096
Less: units cancelled during the year*	(59,852)	(11,874)
Revenue from security services	11,694	6,953
	<u>6,504,427</u>	<u>5,550,175</u>

*As a result of customer defaults, sales and purchase agreements with customers for 50 units (2022: 5 units) have been cancelled and the Group has reinstated these units.

24 Direct costs

	2023	2022
	AED '000	AED '000
Land cost	1,555,704	1,640,750
Construction cost	1,651,278	1,191,609
Infrastructure cost	152,350	264,937
Finance cost	80,471	86,115
Design cost	100,039	108,733
Overheads	322,734	104,979
Less: cost of units cancelled during the year	(38,578)	(4,589)
Other direct costs	10,719	4,696
	<u>3,834,717</u>	<u>3,397,230</u>

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25 Administrative and general expenses

	2023	2022
	AED '000	AED '000
Commission expense	252,066	85,702
Salaries and other benefits	196,765	153,258
Legal and professional	19,933	5,147
Repairs and maintenance	17,941	12,599
Communication expense	15,276	5,881
Administration and management fee* (note 13)	10,068	14,487
Utilities	5,563	6,331
Bank charges	3,983	975
Printing and stationary	2,872	1,586
Property and equipment written-off (note 5)	2,431	-
Rent	738	799
Aircraft management fees	880	-
Vehicle maintenance	699	-
Other	19,742	8,018
	<u>548,957</u>	<u>294,783</u>

*Administration and management fee include service fees charged by a related party for the management services provided to the Group and cost of association charges to the Owners' association.

26 Selling and marketing expenses

	2023	2022
	AED '000	AED '000
Commission expense	998,466	544,705
Advertisement and marketing	273,529	91,925
Business promotion	50,581	15,866
Royalty expense (note 13)	16,322	-
	<u>1,338,898</u>	<u>652,496</u>

27 Finance costs – net

	2023	2022
	AED '000	AED '000
Interest on borrowings (note 20)	77,984	130,863
Interest capitalised to properties under development (note 8)	(33,751)	(69,007)
Net interest on borrowings	<u>44,233</u>	<u>61,856</u>
Interest on loan from shareholders (note 13)	20,968	-
Interest on finance lease liability (note 21)	6	97
Loan processing fees	<u>17,420</u>	<u>10,850</u>
	<u>82,627</u>	<u>72,803</u>

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28 Income tax

Deferred income taxes are calculated using the balance sheet liability method.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income.

Furthermore, the income tax expense pertains to corporation tax incurred by the Company's subsidiary's operations in the United Kingdom which is subject to an effective tax rate of 19% on taxable profits.

The movement in the deferred tax asset can be analysed as follows:

	2023 AED '000	2022 AED '000
On acquisition of subsidiary (note 29)	83	-

Deferred tax asset is attributable to the following items have been recognised:

	2023		
	Assets AED '000	Liabilities AED '000	Net AED '000
Property and equipment	83	-	83
	83	-	83

29 Acquisition involving entities under common control

On December 31, 2023, the Company acquired the business of Sobha Real Estate UK Limited, a related party for AED 5 thousand. The net assets recognized on acquisition involving entity under common control can be analysed as follows:

	Sobha Real Estate UK Limited December 31, 2023 AED '000
ASSETS	
Property and equipment	422
Deferred tax asset	83
Trade and other receivables	930
Cash and bank balance	262
	<u>1,697</u>
LIABILITIES	
Trade and other payables	119
Due to related parties	9,439
	<u>9,558</u>
Net asset value on acquisition of Sobha Real Estate UK Limited (A)	<u>(7,861)</u>

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29 Acquisition involving entity under common control (continued)

On December 13, 2023, the Company acquired the business of Sobha Jet Limited., a related party for AED 44,186 thousand. The net assets recognized on acquisition involving entity under common control can be analysed as follows:

	Sobha Jet Limited December 13, 2023 AED '000
ASSETS	
Property and equipment	144,214
Trade and other receivables	7,437
Due from related parties	357
Cash and bank balance	171
	<u>152,179</u>
LIABILITIES	
Trade and other payables	956
Borrowings	110,175
	<u>111,131</u>
Net asset value on acquisition of Sobha Jet Limited (B)	<u>41,048</u>

On September 30, 2023, the Company acquired the business of Sobha Capital L.L.C, a related party for AED 85,296 thousand. The net assets recognized on acquisition involving entity under common control can be analysed as follows:

	Sobha Capital L.L.C September 30, 2023 AED '000
ASSETS	
Investment properties	84,557
Cash and bank balance	8,731
Trade and other receivables	39
	<u>93,327</u>
LIABILITIES	
Trade and other payables	8,031
Net asset value on acquisition of Sobha Capital L.L.C (C)	<u>85,296</u>

	AED '000
Net asset value on acquisition (A+B+C)	118,483
Consideration payable	129,487
Loss on acquisition (recognized in retained earnings)	<u>(11,004)</u>

The net cash flow outflow on acquisition of subsidiaries through common control transactions can be analysed as follows:

	AED '000
Cash acquired on acquisition of subsidiaries	9,164
Consideration paid during the year	(129,487)
Net cash flow outflow on acquisition of subsidiaries	<u>(120,323)</u>

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30 Segment information

The internal management reports that are prepared under IFRS are reviewed by the Board of Directors based on the different sectors in which the Group operates. The Group has identified the following as its basis of its segmentation:

Reportable segments	Operation
Real estate	Sale of units
Other segments*	Capital investment, security services and management in various enterprises

For management purposes, the Group has identified one major segment, namely, real estate.

*Other segments include businesses that individually do not meet the criteria for a reportable segment as per IFRS 8 Operating Segments.

For the year ended December 31, 2023			
	AED '000	AED '000	AED '000
	Real estate	Other segments	Total
Segment revenue	6,492,733	11,694	6,504,427
Direct costs	(3,823,997)	(10,720)	(3,834,717)
Administrative and general expenses	(548,717)	(240)	(548,957)
Selling and marketing expenses	(1,338,898)	-	(1,338,898)
Depreciation and amortization	(18,647)	(2,655)	(21,302)
Other income	109,950	-	109,950
Finance cost	(81,282)	(1,345)	(82,627)
Gain on fair value of investment properties	2,204,554	-	2,204,554
Segment operating profit/(loss)	2,995,696	(3,266)	2,992,430
Segment assets	14,293,667	152,062	14,445,729
Segment liabilities	4,336,475	111,131	4,447,606

For the year ended December 31, 2022			
	Real estate	Other segments	Total
	AED '000	AED '000	AED '000
Segment revenue	5,543,222	6,953	5,550,175
Direct costs	(3,392,099)	(5,131)	(3,397,230)
Administrative and general expenses	(294,783)	-	(294,783)
Selling and marketing expenses	(652,496)	-	(652,496)
Depreciation and amortization	(16,993)	-	(16,993)
Other income	33,663	-	33,663
Finance cost	(72,803)	-	(72,803)
Gain on fair value of investment properties	77,859	-	77,859
Segment operating profit	1,225,570	1,822	1,227,392
Segment assets	10,102,859	-	10,102,859
Segment liabilities	2,766,983	-	2,766,983

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31 Guarantees and capital commitments

	2023	2022
	AED '000	AED '000
Capital commitments for properties under development	12,961,000	5,677,502
Capital commitments for purchase of land	-	460,000
Performance guarantees	251,250	77,643

32 Cash flow adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to net profit to arrive at operating cash flow:

	Note	2023	2022
		AED '000	AED '000
Adjustments for:			
Depreciation and amortization	5,6	21,302	16,993
Gain on fair value of investment properties	7	(2,204,554)	(77,859)
Loan processing fees	27	17,420	10,850
Property and equipment written off	5	2,431	-
Net interest expense on borrowings	27	44,233	61,856
Interest expense on loan from shareholders	27	20,968	-
Interest expense on finance lease liabilities	27	6	97
Provision for employees' end of service benefits	19	8,955	4,198
		(2,089,239)	16,135
Net changes in working capital:			
Trade and other receivables		(295,665)	(1,908,781)
Other financial assets		43,974	3,621
Due from related parties		(620)	-
Due to related parties		(31,994)	26,293
Trade and other payables		425,205	148,550
Movement in properties under development		1,807,132	1,896,568
		1,948,032	166,251

33 Financial instruments risk

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated by the key management personnel and Shareholders; and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed to are described as follows.

33.1 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

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33 Financial instruments risk (continued)

33.1 Market risk (continued)

Foreign exchange risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group mainly operates in United Arab Emirates and is exposed to foreign currency risk arising from foreign currency exposures, with respect to Indian Rupee ("INR") as the Group has investments in equity shares in the said currency.

Following is the breakup of financial instruments exposed to foreign currency risk:

	2023	2022
	AED '000	AED '000
Future sale proceeds of equity instrument at FVOCI (note 9)	2,011,692	1,211,049

The following table details the Group sensitivity to a +/- 5% (2022: +/- 5%) in the AED against INR. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

	Other comprehensive (loss)/income for the year		Equity	
	AED '000	AED '000	AED '000	AED '000
	+5%	-5%	+5%	-5%
December 31, 2023	(100,585)	100,585	(100,585)	100,585
December 31, 2022	(60,552)	60,552	(60,552)	60,552

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 Group is exposed to interest rate risk with respect to its borrowings.

The following table illustrates the sensitivity of profit/(losses) and equity to a reasonably possible change in interest rates of +/- 1% (2022: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each year, and the financial instruments held at each reporting date that are sensitive to changes in interest rates and all other variables are held constant.

	(Loss)/profit for the year		Equity	
	AED '000	AED '000	AED '000	AED '000
	+1%	-1%	+1%	-1%
December 31, 2023	(14,821)	14,821	(14,821)	14,821
December 31, 2022	(18,775)	18,775	(18,775)	18,775

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33 Financial instruments risk (continued)

33.1 Market risk (continued)

Price risk

Price risk is the risk that the value of a financial instrument would fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The Group is exposed to price risk with respect to its investments in equity shares.

The following table illustrates the sensitivity of other comprehensive income/(loss) and equity to a reasonably possible change in interest rates of +/- 5% (2022: +/- 5%). The sensitivity analysis has been determined based on the exposure to equity price risks at the end of the reporting period.

	Other comprehensive income/(loss) for the year		Equity	
	AED '000	AED '000	AED '000	AED '000
	+5%	-5%	+5%	-5%
December 31, 2023	100,585	(100,585)	100,585	(100,585)
December 31, 2022	60,552	(60,552)	60,552	(60,552)

33.2 Credit risk analysis

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date as summarised below:

	Note	2023 AED '000	2022 AED '000
Trade and other receivables	10	5,273,107	4,980,960
Due from related parties	13	977	-
Cash at banks	12	2,097,739	659,414
Other financial assets	11	-	43,794
		7,371,823	5,684,168

Trade and other receivables

The Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good. The Group's exposure to trade receivables' credit risk is mainly influenced by the individual characteristics of the customers; however, the Group's policy is to collect the advance from the customers on a periodical basis and the handover of properties to the customers will take place only after final settlement of all dues by them.

The ageing of trade receivables as of the reporting date can be analysed as follows:

	Days overdue				Total
	Not due AED '000	0-90 AED '000	90-180 AED '000	Over 180 AED '000	
Trade receivables					
December 31, 2023	4,108,444	794,506	110,883	127,490	5,141,323
December 31, 2022	3,664,711	812,411	353,504	129,886	4,960,512

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33 Financial instruments risk (continued)

33.2 Credit risk analysis (continued)

Cash at banks and other financial assets

The Group seeks to limit its credit risk with respect to bank balances and other financial assets held with banks by dealing only with reputable banks and continuously monitoring outstanding balances.

Due from related parties

The management of the Group is directly involved in the Group's operations and reviews and approves all transactions with related parties. The receivable balances are reconciled periodically with the related parties through intercompany reconciliations and confirmations.

33.3 Liquidity risk analysis

Liquidity risk also referred to as funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis. Long-term liquidity needs are identified monthly.

The Group's undiscounted financial liabilities as at the reporting date are summarised below:

	Within 1 year	More than 1 year	Total
December 31, 2023	AED '000	AED '000	AED '000
Borrowings (note 20)	429,995	1,127,537	1,557,532
Due to related parties (note 13)	248,655	-	248,655
Trade and other payables (note 22)	1,119,569	-	1,119,569
Loan from shareholders (note 13)	-	1,001,650	1,001,650
Total	1,798,219	2,129,187	3,927,406
December 31, 2022			
Borrowings (note 20)	298,512	1,578,978	1,877,490
Due to related parties (note 13)	279,535	-	279,535
Trade and other payables (note 22)	530,646	-	530,646
Finance lease liabilities (note 21)	52	-	52
Total	1,108,745	1,578,978	2,687,723

34 Fair value measurement

Assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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34 Fair value measurement (continued)

The following table shows the levels within the hierarchy of financial and non-financial asset measured at fair value:

	Note	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
December 31, 2023					
Investment properties	(i)	-	-	2,278,310	2,278,310
Financial asset	(ii)	2,011,692	-	-	2,011,692
December 31, 2022					
Investment properties	(i)	-	-	1,303,186	1,303,186
Financial asset	(ii)	1,211,049	-	-	1,211,049

(i) Investment properties

Fair value of the investment property is estimated based on an appraisal performed by independent, professionally qualified property valuers. The significant inputs and assumptions are developed in close consultation with the management. The valuation processes and fair value changes are reviewed by the management at each reporting date.

The valuation was carried out by the valuers using a market approach considering the Gross Floor Area (GFA) of the plot of land and units of commercial space in the building. In determining the fair value, the valuers considered the sales comparison method. The significant unobservable input in the fair value estimation is an adjustment to reflect recent market transactions and factors specific to the subject properties. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

(ii) Financial asset

Financial asset represents investment in equity shares which are denominated in Indian Rupee (INR) and are publicly traded in Bombay Stock Exchange (BSE) and National Stock Exchange (NSE), India. Fair values have been determined by reference to their quoted closing prices at the reporting date.

35 Capital management policies and procedures

Capital includes equity attributable to the equity holders of the Group. The Group's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the Group's business.

The management of the Group currently monitors the leverage on a periodic basis to ensure that the overall leverage is at manageable levels and that adequate profitability is being retained in the business to ensure a healthy capital structure.

The Group's capital management objectives are to maintain a strong credit rating and healthy ratios in order to support its business; to provide adequate returns to and maximise shareholder value; and to maintain an optimal capital structure to reduce the cost of capital.

The Group's capital structure follows:

	2023 AED '000	2022 AED '000
Equity attributable to the shareholders of the Company	9,683,113	6,960,930
Cash and cash equivalents	2,106,505	679,155

36 Subsequent event

Subsequent to the year end, P N C Investments L.L.C resolved to sell the business of Latinem Securities LLC (a branch of P N C Investments L.L.C), to Sobha Constructions L.L.C, a related party.