

**P N C Investments L.L.C**

Unaudited Interim Condensed Consolidated  
Financial Information

For the period ended June 30, 2023

**P N C Investments L.L.C**  
**Unaudited Interim Condensed Consolidated Financial Information**  
**For the period ended June 30, 2023**

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## Manager's report

The Manager of P N C Investments L.L.C (the "Company") and its subsidiaries (together referred to as the "Group") is pleased to submit his report along with the unaudited interim condensed consolidated financial information for the six-month period ended June 30, 2023.

### 1. Review of activities

#### Main business and operations

The principal activities of the Group are real estate development, investment in land and properties, security control services and general security guard services.

The operating results and financial position of the Group are fully set out in the attached unaudited interim condensed consolidated financial information.

The Group reported a net profit of AED 712 million (unaudited) for the six-month period ended June 30, 2023 (June 30, 2022 period ended: AED 575 million (audited)).

### 2. Manager

The Manager during the period and to the date of this report is:

- Mr. Anuj Jain

### 3. Auditors

Grant Thornton were appointed as the independent auditors of the Group for the year ending December 31, 2023 and to review the unaudited interim condensed consolidated financial information for the six-month period ended June 30, 2023. The Manager resolved to release Grant Thornton from any liabilities arising from the review of the unaudited interim condensed consolidated financial information for the six-month period ended June 30, 2023. Grant Thornton being eligible have offered themselves for re-appointment for the year ending December 31, 2024.

The unaudited interim condensed consolidated financial information for the six-month period ended June 30, 2023 (including comparatives) were approved on August 18, 2023 by:



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Mr. Anuj Jain  
Manager

Dubai, United Arab Emirates

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Accounting Limited  
(Dubai Branch)

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## Report on Review of Unaudited Interim Condensed Consolidated Financial Information To the Shareholders of P N C Investments L.L.C

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of P N C Investments L.L.C (the "Company") and its subsidiaries (together referred to as the "Group") as of June 30, 2023 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information does not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2023, and of its consolidated financial performance and its consolidated cash flows for the six-month period then ended in accordance with IAS 34.

  
**GRANT THORNTON**  
**Farouk Mohamed**  
**Registration No. 86**  
**Dubai, August 18, 2023**



**P N C Investments L.L.C**  
**Unaudited Interim Condensed Consolidated Financial Information**

**Interim condensed consolidated statement of financial position**  
**As at June 30, 2023**

	Notes	(Unaudited) June 30, 2023 AED '000	(Audited) December 31, 2022 AED '000
<b>ASSETS</b>			
<b>Non-current</b>			
Property and equipment	4	50,119	57,225
Intangible assets	5	1,938	1,057
Investment properties	6	1,561,311	1,303,186
Properties under development	7	66,677	66,677
Financial asset	8	1,108,363	1,211,049
		<u>2,788,408</u>	<u>2,639,194</u>
<b>Current</b>			
Properties under development	7	957,898	1,454,058
Trade and other receivables	9	5,659,086	5,286,478
Other financial assets	10	59,813	43,974
Cash and cash equivalents	11	865,933	679,155
		<u>7,542,730</u>	<u>7,463,665</u>
<b>TOTAL ASSETS</b>		<u><b>10,331,138</b></u>	<u><b>10,102,859</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	13	300	300
Statutory reserve	14	150	150
Fair value reserve	17	596,962	699,648
Retained earnings		5,973,849	5,261,213
Shareholders' account	15	999,619	999,619
<b>Total equity attributable to Shareholders of the Company</b>		<u><b>7,570,880</b></u>	<u><b>6,960,930</b></u>
Non-controlling interest	16	374,235	374,946
<b>TOTAL EQUITY</b>		<u><b>7,945,115</b></u>	<u><b>7,335,876</b></u>
<b>LIABILITIES</b>			
<b>Non-current</b>			
Employees' end of service benefits	18	16,371	12,776
Borrowings	19	1,050,323	1,578,978
		<u>1,066,694</u>	<u>1,591,754</u>
<b>Current</b>			
Borrowings	19	129,405	298,512
Finance lease liabilities	20	21	46
Trade and other payables	21	894,384	597,136
Due to related parties	12	295,519	279,535
		<u>1,319,329</u>	<u>1,175,229</u>
<b>TOTAL LIABILITIES</b>		<u><b>2,386,023</b></u>	<u><b>2,766,983</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>10,331,138</b></u>	<u><b>10,102,859</b></u>

This unaudited interim condensed consolidated financial information for the period ended June 30, 2023 (including comparatives) were approved on August 18, 2023 by:

**Mr. Anuj Jain**  
**Manager**

The accompanying notes from 1 to 31 form an integral part of this unaudited interim condensed consolidated financial information.



**P N C Investments L.L.C**

**Unaudited Interim Condensed Consolidated Financial Information**

**Interim condensed consolidated statement of comprehensive income**

**For the period ended June 30, 2023**

		Six-month period ended	
	Notes	June 30, 2023 AED '000 (Unaudited)	June 30, 2022 AED '000 (Audited)
Revenue	22	3,227,928	2,685,056
Direct costs	23	(1,931,349)	(1,654,502)
<b>GROSS PROFIT</b>		<b>1,296,579</b>	<b>1,030,554</b>
Administrative and general expenses	24	(219,586)	(134,976)
Depreciation and amortization		(8,928)	(7,562)
Selling and marketing expenses	25	(407,231)	(308,699)
Gain on fair value of investment properties		36,176	28,068
Finance costs – net	26	(20,953)	(38,349)
Other income		35,868	6,104
<b>NET PROFIT FOR THE PERIOD</b>		<b>711,925</b>	<b>575,140</b>
<b>Other comprehensive income</b>			
Fair value loss on financial asset		(112,383)	(685,541)
Net foreign exchange gain/(loss) on financial asset		9,697	(115,499)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>(102,686)</b>	<b>(801,040)</b>
<b>Net profit for the period attributable to:</b>			
Shareholders of the Company		712,636	574,781
Non-controlling interest		(711)	359
		<b>711,925</b>	<b>575,140</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Shareholders of the Company		609,950	(226,259)
Non-controlling interest		(711)	359
		<b>609,239</b>	<b>(225,900)</b>

The accompanying notes from 1 to 31 form an integral part of this unaudited interim condensed consolidated financial information.

**P N C Investments L.L.C**  
**Unaudited Interim Condensed Consolidated Financial Information**

**Interim condensed consolidated statement of changes in equity**  
**For the period ended June 30, 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 Shareholders of the Company AED '000	Non-controlling interest AED '000	Total equity AED '000
Balance at January 1, 2022 (audited)	300	150	1,522,482	3,777,727	999,187	6,299,846	723,683	7,023,529
Net profit for the period (audited)	-	-	-	574,781	-	574,781	359	575,140
Other comprehensive loss (audited)	-	-	(801,040)	-	-	(801,040)	-	(801,040)
Increase in investment in subsidiary (audited)	-	-	-	213,303	-	213,303	(284,946)	(71,643)
Net movement in Shareholders' account (audited)	-	-	-	-	432	432	-	432
Balance at June 30, 2022 (audited)	300	150	721,442	4,565,811	999,619	6,287,322	439,096	6,726,418
Balance at January 1, 2023 (audited)	300	150	699,648	5,261,213	999,619	6,960,930	374,946	7,335,876
Net profit for the period (unaudited)	-	-	-	712,636	-	712,636	(711)	711,925
Other comprehensive loss (unaudited)	-	-	(102,686)	-	-	(102,686)	-	(102,686)
Balance at June 30, 2023 (unaudited)	300	150	596,962	5,973,849	999,619	7,570,880	374,235	7,945,115

The accompanying notes from 1 to 31 form an integral part of this unaudited interim condensed consolidated financial information.

**P N C Investments L.L.C**  
**Unaudited Interim Condensed Consolidated Financial Information**

**Interim condensed consolidated statement of cash flows**  
**For the period ended June 30, 2023**

	Notes	(Unaudited) Six-month period ended June 30, 2023 AED '000	(Audited) Six-month period ended June 30, 2022 AED '000
<b>OPERATING ACTIVITIES</b>			
Net profit for the period		711,925	575,140
Cash flow adjustments	28	(1,800)	19,821
<i>Operating cash flows before net changes in working capital</i>		<b>710,125</b>	594,961
Net changes in working capital	28	587,913	(42,039)
Employees' end of service benefits paid		(751)	(1,459)
<b>Net cash from operating activities</b>		<b>1,297,287</b>	551,463
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(1,793)	(11,194)
Purchase of intangible assets		(1,059)	(8)
Purchase of investment properties		(361,125)	(80,592)
<b>Net cash used in investing activities</b>		<b>(363,977)</b>	(91,794)
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings	19	458,876	-
Repayment of finance lease liabilities		(28)	(659)
Loan processing fees paid	26	(5,208)	(5,959)
Increase in investment in subsidiary		-	(39,709)
Repayment of borrowings	19	(1,200,172)	(291,084)
<b>Net cash used in financing activities</b>		<b>(746,532)</b>	(337,411)
<b>Net change in cash and cash equivalents</b>		<b>186,778</b>	122,258
Cash and cash equivalents, beginning of period		679,155	237,037
<b>Cash and cash equivalents, end of period</b>		<b>865,933</b>	359,295

The accompanying notes from 1 to 31 form an integral part of this interim condensed consolidated financial information.



**P N C Investments L.L.C**  
**Unaudited Interim Condensed Consolidated Financial Information**

**Notes to the unaudited interim condensed consolidated financial information**  
**For the period ended June 30, 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 and general security guard services.

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 consolidated financial statements for accounting periods 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 free zone entities.

The Group is currently in the process of assessing the possible impact on its consolidated financial statements, both from current and deferred tax perspective, for full compliance with the Corporate Tax Law noting that the first tax period for the Group is commencing from January 1, 2024.

The Company holds investments in the following entities (the “Subsidiaries”) as at the reporting date which have been consolidated in this unaudited interim condensed consolidated financial information:

Name of subsidiaries	Country of incorporation and operation	Principal activity	Ownership interest	
			(Unaudited) June 30, 2023	(Audited) December 31, 2022
<u>Subsidiaries of the Company</u>				
Sobha L.L.C (a)	UAE	Real estate development	100%	100%
Sobha Lifestyle City Limited (b)	UAE	Investment in land and properties	78.04%	78.04%
Sobha Sukuk Limited (c)	Cayman Islands	Special purpose vehicle	-	-

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.

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 (refer note 31). 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. The financial results of this Entity for the reporting period were insignificant at the reporting date and hence have not been included in this unaudited interim condensed consolidated financial information.

This unaudited interim condensed consolidated financial information also incorporates the operating results of Latinem Securities (Br 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.

**P N C Investments L.L.C**  
**Unaudited Interim Condensed Consolidated Financial Information**

**Notes to the unaudited interim condensed consolidated financial information**  
**(continued)**  
**For the period ended June 30, 2023**

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**2 Basis of preparation**

This unaudited interim condensed consolidated financial information is for the six-month period ended June 30, 2023, and are presented in United Arab Emirates Dirham (AED), which is the functional currency of the Company.

This unaudited interim condensed consolidated financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting' and does not include all of the information required in annual financial statements in accordance with International Financial Reporting Standards (IFRSs) and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2022. Further, results for the six-month period ended June 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023.

The same accounting policies, presentation and methods of computation have been followed in this unaudited interim condensed consolidated financial information as were applied for the preparation and presentation of the annual audited consolidated financial statements of the Group for the year ended December 31, 2022.

**3 Standards, interpretations and amendments to existing standards**

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

The accounting policies adopted in the preparation of this unaudited interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2022.

There are no accounting pronouncements which have become effective from January 1, 2023, that have a significant impact on the Group's unaudited interim condensed consolidated financial information.

**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 authorization of this unaudited interim condensed consolidated financial information, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the International Accounting Standards Board (IASB). None of these standards or amendments to existing standards have been adopted early by the Group.

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 unaudited interim condensed consolidated financial information.

**P N C Investments L.L.C**  
**Unaudited Interim Condensed Consolidated Financial Information**

**Notes to the unaudited interim condensed consolidated financial information (continued)**  
**For the period ended June 30, 2023**

**4 Property and equipment**

2023	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
<b>Cost</b>							
Balance at January 1, 2023 (audited)	74,646	10,259	1,729	8,778	11,257	2,274	108,943
Additions (unaudited)	-	1,225	307	151	-	110	1,793
Written-off during the period (unaudited)	-	-	-	(1,800)	-	-	(1,800)
Balance at June 30, 2023 (unaudited)	74,646	11,484	2,036	7,129	11,257	2,384	108,936
<b>Accumulated depreciation</b>							
Balance at January 1, 2023 (audited)	25,507	7,178	1,561	7,894	9,578	-	51,718
Charge for the period (unaudited)	7,258	796	140	411	145	-	8,750
Written-off during the period (unaudited)	-	-	-	(1,651)	-	-	(1,651)
Balance at June 30, 2023 (unaudited)	32,765	7,974	1,701	6,654	9,723	-	58,817
<b>Carrying amounts at June 30, 2023 (unaudited)</b>	<b>41,881</b>	<b>3,510</b>	<b>335</b>	<b>475</b>	<b>1,534</b>	<b>2,384</b>	<b>50,119</b>

**P N C Investments L.L.C**  
**Unaudited Interim Condensed Consolidated Financial Information**

**Notes to the unaudited interim condensed consolidated financial information (continued)**  
**For the period ended June 30, 2023**

**4 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 (audited)	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 (audited)	74,646	10,259	1,729	8,778	11,257	2,274	108,943
Accumulated depreciation							
Balance at January 1, 2022 (audited)	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 (audited)	25,507	7,178	1,561	7,894	9,578	-	51,718
Carrying amounts at December 31, 2022 (audited)	49,139	3,081	168	884	1,679	2,274	57,225

At the reporting date, certain vehicles with a carrying value of AED 15,447 (2022: AED 65,191) were mortgaged to the bank against finance lease liabilities.



**P N C Investments L.L.C**  
**Unaudited Interim Condensed Consolidated Financial Information**

**Notes to the unaudited interim condensed consolidated financial information**  
**(continued)**

**For the period ended June 30, 2023**

**5 Intangible assets**

Computer software	(Unaudited) June 30, 2023 AED '000	(Audited) December 31, 2022 AED '000
<b>Cost</b>		
Opening balance	5,447	5,199
Additions	1,059	248
Closing balance	6,506	5,447
<b>Accumulated amortization</b>		
Opening balance	4,390	3,738
Charge for the period/year	178	652
Closing balance	4,568	4,390
	1,938	1,057

**6 Investment properties**

	(Unaudited) June 30, 2023 AED '000	(Audited) December 31, 2022 AED '000
Opening balance	1,303,186	2,712,198
Fair value gain (a), (b) and (c)	36,176	77,859
Additions (c)	716,519	321,789
Transferred from a related party (a)	-	1,902,500
Transferred from properties under development (note 7)	-	187,702
Transferred to a related party (a)	-	(1,902,068)
Transferred to properties under development (note 7) (a), (b) and (c)	(494,570)	(1,996,794)
	1,561,311	1,303,186

Particulars	Location	(Unaudited) June 30, 2023 AED '000	(Audited) December 31, 2022 AED '000
Building	7 units of commercial space in 'Sobha Sapphire' – Business Bay, Dubai, UAE	24,847	24,847
Land	Plot No 6110129, Bukadra, Dubai	974,277	1,160,000
Land	Plot No 3681 and 3682, Marsa Dubai	433,302	-
Land	Plot No 1374, Jabal Ali Industrial first, Dubai, UAE	46,029	-
Land	Plot No 1238 (643-8092), Wadi Al Safa Two, Dubai	82,856	118,339
		1,561,311	1,303,186

Certain plots of land and building have been pledged as security for the Group's borrowings. (note 19).

## P N C Investments L.L.C

### Unaudited Interim Condensed Consolidated Financial Information

#### Notes to the unaudited interim condensed consolidated financial information (continued)

For the period ended June 30, 2023

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#### **6 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 427,982,511;
- Plot No. 4277, located at Hadaeq Sheikh Mohammed Bin Rashid, Dubai, UAE with a value of AED 1,105,564,966; and
- Plot No. 4278, located at Hadaeq Sheikh Mohammed Bin Rashid, Dubai, UAE with a value of AED 368,520,000.

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 1,125,000,000. On December 31, 2022, the Group recorded a fair value gain of AED 35,000,000 in respect of this property, pursuant to the fair valuation exercise carried out on December 31, 2022. On January 1, 2023 and April 1, 2023 the Group transferred investment property amounting to AED 150,000,000 and AED 71,898,835 respectively to properties under development, for the purpose of developing real estate projects on the said properties. Further, the Group recorded a fair value gain of AED 36,176,132 in respect of this property, pursuant to the fair valuation exercise carried out on June 30, 2023;
- Plot No. 438 (112-113), Ras Al Khor, Industrial First, Dubai, UAE with a value of AED 320,000,000; and
- Plot No. 16 (347-380), Sobha Hartland, Al Merkadh, Dubai, UAE with a value of AED 457,500,000.

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 720,840,000 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 61,991,150, which formed part of the total value of AED 457,500,000 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 132,007,230 to properties under development, for the purpose of developing real estate projects on the said properties.

On June 30, 2022, the Group recorded a fair value gain of AED 5,110,000 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 125,250,000.

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 125,250,000, Plot No. 438 (112-113), located at Ras Al Khor, Industrial First, Dubai, UAE with a value of AED 320,000,000 and Plot No. 16 (347-380), located at Sobha Hartland, Al Merkadh, Dubai, UAE with a value of AED 395,508,850 to properties under development, for the purpose of developing real estate projects on the said properties.



**P N C Investments L.L.C**  
**Unaudited Interim Condensed Consolidated Financial Information**

**Notes to the unaudited interim condensed consolidated financial information**  
**(continued)**  
**For the period ended June 30, 2023**

**6 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 80,591,667 at an auction. On December 31, 2022, the Group recorded a fair value gain of AED 37,748,333 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 40,014,000 to DUBAI LAND (LLC) for change in the development scope and usage of the investment property. On April 1, 2023, the Group transferred AED 75,498,229 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 147,173,000 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 241,197,600 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 period, 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 483,302,400 from a third party of which AED 50,000,000 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 46,029,120.

As of the reporting date, the Company has AED 525,105,769 (2022: AED 169,712,000), payable in relation to the purchase of investment properties (refer note 21).

Note 29 sets out the method used for the determination of the estimated fair value of the investment properties.

**7 Properties under development**

	(Unaudited) June 30, 2023	(Audited) December 31, 2022
	AED '000	AED '000
Properties under development	1,024,575	1,520,735

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

	(Unaudited) June 30, 2023	(Audited) December 31, 2022
	AED '000	AED '000
Opening balance	1,520,735	1,539,204
Transferred from investment properties (note 6)	494,570	1,996,794
Additions during the period	936,810	1,564,580
Transferred to investment properties (note 6)	-	(187,702)
Transferred to direct costs – net	(1,927,540)	(3,392,141)
Closing balance	1,024,575	1,520,735
Less: Non-current portion	(66,677)	(66,677)
Current portion	957,898	1,454,058

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**Notes to the unaudited interim condensed consolidated financial information  
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**For the period ended June 30, 2023**

**7 Properties under development (continued)**

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, and Sobha Sea Haven project located at Al Marsa, Dubai Marina, Dubai, UAE.

Additions to properties under development include capitalised borrowing costs amounting to AED 27.7 million (2022: AED 69 million).

**8 Financial asset**

	(Unaudited) June 30, 2023 AED '000	(Audited) December 31, 2022 AED '000
Equity instruments at FVOCI (quoted equity securities)	1,108,363	1,211,049

Movement in the financial asset is as follows:

	(Unaudited) June 30, 2023 AED '000	(Audited) December 31, 2022 AED '000
Opening balance	1,211,049	2,033,883
Change in fair value (note 17)	(112,383)	(620,765)
Foreign exchange gain/(loss) (note 17)	9,697	(202,069)
Closing balance	1,108,363	1,211,049

Quoted equity securities represents investment in equity shares of Sobha Limited, India (a listed entity). These shares are beneficially held by the shareholders of P N C Investments L.L.C on behalf of the Company representing 48.58% (2022: 48.58%) of the total equity shares in the investee amounting to AED 1.11 billion (2022: AED 1.21 billion). The fair value of the equity instruments is determined with reference to published price quoted in the active market.

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**Notes to the unaudited interim condensed consolidated financial information**  
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**For the period ended June 30, 2023**

<b>9 Trade and other receivables</b>	(Unaudited)	(Audited)
	June 30, 2023	December 31, 2022
	AED '000	AED '000
<i>Financial assets</i>		
Trade receivables	5,181,094	4,960,512
Deposits	30,694	20,448
	<u>5,211,788</u>	<u>4,980,960</u>
<i>Non-financial assets</i>		
Prepayments	10,422	13,577
Advance to suppliers	59,809	62,358
Advances**	32,949	4,828
VAT receivable	43,134	33,903
Deferred expenses*	298,359	188,359
Staff advances	2,625	2,493
	<u>447,298</u>	<u>305,518</u>
	<u>5,659,086</u>	<u>5,286,478</u>

\*Deferred expenses represent commission paid to third party brokers. These expenses are incurred to obtain or fulfil a contract with the customer and are amortized over the period of satisfying performance obligation where applicable.

\*\*Advances of AED 32,948,781 (2022: AED 4,827,997) 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.

**10 Other financial assets**

	(Unaudited)	(Audited)
	June 30, 2023	December 31, 2022
	AED '000	AED '000
Deposits	<u>59,813</u>	<u>43,974</u>

The deposits are under lien against the borrowings obtained (note 19).

**11 Cash and cash equivalents**

	(Unaudited)	(Audited)
	June 30, 2023	December 31, 2022
	AED '000	AED '000
Cash on hand	8,995	19,741
Cash at banks		
- in escrow account*	431,937	518,569
- in current account	425,001	140,845
	<u>856,938</u>	<u>659,414</u>
Cash and cash equivalents	<u>865,933</u>	<u>679,155</u>

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

Certain escrow accounts maintained in the name of Sobha L.L.C are under lien against the Group's borrowings (note 19).

**P N C Investments L.L.C**  
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**Notes to the unaudited interim condensed consolidated financial information**  
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**For the period ended June 30, 2023**

**12 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 to by both parties.

	(Unaudited) June 30, 2023 AED' 000	(Audited) December 31, 2022 AED' 000
<b>Due to related parties</b>		
<i>Associated undertakings</i>		
Sobha Constructions LLC	277,036	257,598
PNC Architects	18,483	21,927
Other related parties	-	10
	<u>295,519</u>	<u>279,535</u>

**Key management personnel compensation**

Key management personnel of the Group are the Chairman, President, Group Chief Financial Officer, Chief Executive Officer, Deputy Chief Financial Officer and the Manager of the Group. During the period, the key management personnel compensation was as follows:

	(Unaudited) Six-month period ended June 30, 2023 AED '000	(Audited) Six-month period ended June 30, 2022 AED '000
Salaries and benefits	<u>21,207</u>	<u>24,009</u>

**Transactions with related parties**

Significant transactions carried out with related parties are as follows:

	(Unaudited) Six-month period ended June 30, 2023 AED '000	(Audited) Six-month period ended June 30, 2022 AED '000
Construction and development expenses for properties under development	795,307	497,814
Project design and supervision fee charged by a related party	113,711	6,203
Transfer of investment properties from a related party (note 6)	-	1,902,500
Transfer of investment properties to a related party (note 6)	-	1,902,068
Administration and management fee (note 24)	<u>7,456</u>	<u>5,229</u>

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**Notes to the unaudited interim condensed consolidated financial information**  
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**For the period ended June 30, 2023**

**13 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.

	(Unaudited) June 30, 2023 AED '000	(Audited) December 31, 2022 AED '000
Authorised, issued and fully paid-up share capital (300 shares)	300	300

The shareholding is as follows:

	(Unaudited) June 30, 2023			(Audited) December 31, 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 Statutory reserve**

In accordance with the requirements of 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 legal reserve equals one half of the Company's paid-up share capital.

**15 Shareholders' account**

	(Unaudited) June 30, 2023 AED '000	(Audited) December 31, 2022 AED '000
Mr. Puthan N C Menon	132,961	132,961
Mrs. Sobha Menon Raghavan Nair	866,658	849,537
Mrs. Bindu PNC Menon*	-	17,121
	999,619	999,619

The Company has no contractual obligation towards the repayment of the above Shareholders' account and this amount is not subject to withdrawal in the foreseeable future.

\*By virtue of transfer in shareholding referred to in note 13 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.

**16 Non-controlling interest (NCI)**

	(Unaudited) June 30, 2023 AED '000	(Audited) December 31, 2022 AED '000
Sobha Lifestyle City Limited (a)	374,235	374,946

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



**P N C Investments L.L.C**  
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**Notes to the unaudited interim condensed consolidated financial information (continued)**  
**For the period ended June 30, 2023**

**16 Non-controlling interest (NCI) (continued)**

The movement in NCI is as follows:

		<b>Sobha Lifestyle City Limited</b>
		<b>AED '000</b>
<b>2023</b>		
<b>Balance at January 1, 2023 (audited)</b>		<b>374,946</b>
<b>Share of loss for the period (unaudited)</b>		<b>(711)</b>
<b>Balance at June 30, 2023 (unaudited)</b>		<b>374,235</b>
<b>2022</b>		
<b>Balance at January 1, 2022 (audited)</b>		<b>723,683</b>
<b>Increase of investment in subsidiary (audited)</b>		<b>(348,267)</b>
<b>Share of loss for the year (audited)</b>		<b>(470)</b>
<b>Balance at December 31, 2022 (audited)</b>		<b>374,946</b>

**16.1 Subsidiary with material non-controlling interests**

The Group's interim condensed consolidated financial information 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
	(Unaudited) June 30, 2023	(Audited) December 31, 2022	(Unaudited) June 30, 2023	(Audited) December 31, 2022	
			<b>AED '000</b>	<b>AED '000</b>	
Sobha Lifestyle City Limited	21.96%	21.96%	711	470	Investment in land and properties approved by JAFZA or any other free hold property in the United Arab Emirates



**P N C Investments L.L.C**  
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**Notes to the unaudited interim condensed consolidated financial information (continued)**  
**For the period ended June 30, 2023**

**16 Non-controlling interest (NCI) (continued)**

**16.1 Subsidiary with material non-controlling interests (continued)**

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

	<b>Sobha Lifestyle City Limited</b>	
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>June 30, 2023</b>	<b>December 31, 2022</b>
	<b>AED '000</b>	<b>AED '000</b>
Non-current	-	-
Current assets	2,047,740	2,077,812
<b>Total assets</b>	<b>2,047,740</b>	<b>2,077,812</b>
Non-current	-	-
Current liabilities	343,444	370,278
<b>Total liabilities</b>	<b>343,444</b>	<b>370,278</b>
<b>Equity attributable to Shareholders of the Company</b>	<b>1,330,061</b>	<b>1,332,588</b>
<b>Non-controlling interests</b>	<b>374,235</b>	<b>374,946</b>

P N C Investments L.L.C  
Unaudited Interim Condensed Consolidated Financial Information

Notes to the unaudited interim condensed consolidated financial information (continued)  
For the period ended June 30, 2023

**16 Non-controlling interest (NCI) (continued)**

**16.1 Subsidiary with material non-controlling interests (continued)**

	Sobha Lifestyle City Limited	
	(Unaudited) June 30, 2023	(Audited) June 30, 2022
	AED '000	AED '000
Revenue	-	-
(Loss)/profit for the period attributable to owners of the Company	(2,528)	1,040
(Loss)/profit for the period attributable to NCI	(711)	359
Net (loss)/profit for the period	(3,239)	1,399
Net cash used in operating activities	-	(0.2)
Net cash from investing activities	-	-
Net cash from financing activities	-	-
Net cash outflow	-	(0.2)

**P N C Investments L.L.C**  
**Unaudited Interim Condensed Consolidated Financial Information**

**Notes to the unaudited interim condensed consolidated financial information**  
**(continued)**

**For the period ended June 30, 2023**

**17 Fair value reserve**

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

	(Unaudited) June 30, 2023 AED '000	(Audited) December 31, 2022 AED '000
Opening balance	699,648	1,522,482
Fair value change on financial assets (note 8)	(112,383)	(620,765)
Net foreign exchange gain/(loss) on financial assets (note 8)	9,697	(202,069)
Closing balance	<u>596,962</u>	<u>699,648</u>

**18 Employees' end of service benefits**

	(Unaudited) June 30, 2023 AED '000	(Audited) December 31, 2022 AED '000
Opening balance	12,776	10,331
Charge for the period/year	4,346	4,198
Payments made during the period/year	(751)	(1,753)
Closing balance	<u>16,371</u>	<u>12,776</u>

**19 Borrowings**

	(Unaudited) June 30, 2023			(Audited) December 31, 2022		
	Current AED '000	Non-current AED '000	Total AED '000	Current AED '000	Non- current AED '000	Total AED '000
Term finance	42,680	1,020,323	1,063,003	177,474	1,489,674	1,667,148
Foreign currency loan	86,725	30,000	116,725	121,038	89,304	210,342
	<u>129,405</u>	<u>1,050,323</u>	<u>1,179,728</u>	<u>298,512</u>	<u>1,578,978</u>	<u>1,877,490</u>

The movement in borrowings is as follows:

	(Unaudited) June 30, 2023 AED '000	(Audited) December 31, 2022 AED '000
Opening balance	1,877,490	2,455,790
Additions during the period/year	458,876	105,000
Interest expense on borrowings (note 26)	43,534	130,863
Repayments during the period/year	(1,200,172)	(814,163)
Closing balance	<u>1,179,728</u>	<u>1,877,490</u>

**P N C Investments L.L.C**  
**Unaudited Interim Condensed Consolidated Financial Information**

**Notes to the unaudited interim condensed consolidated financial information**  
**(continued)**

**For the period ended June 30, 2023**

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**19 Borrowings (continued)**

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

1) Term finance:

During the current period, 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 period. Facility 1 is for a period of 2 years and 4 months under a bullet repayment structure. Further, during the current period, 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 period. Facility 2 is to be repaid in 6 equal quarterly instalments commencing from March 31, 2026.

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 period, SLLC received an additional amount of AED 208 million from the financial institution and the total principal balance outstanding on this loan as of June 30, 2023, amounted to AED 313 million. Facility 3 is to be repaid in 8 quarterly instalments commencing from September 29, 2025.

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 period.

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 period.

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 period, AED 671 million was paid against Facility 7 and as of the reporting date the principal balance outstanding on this loan amounted to AED 476 million (2022: AED 1,147 million).

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**Notes to the unaudited interim condensed consolidated financial information**  
**(continued)**  
**For the period ended June 30, 2023**

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**19 Borrowings (continued)**

2) Foreign currency loan:

During the year 2017, SLLC obtained a foreign currency loan ("Facility 8") 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. During the current period, AED 91 million was paid against this facility and as of the reporting date, the principal balance outstanding on this loan amounted to AED 117 million (2022: AED 210 million).

The above borrowing facilities are secured by way of:

- Corporate Guarantee from P N C Investments L.L.C, Sobha L.L.C, and Sobha Constructions LLC;
- Joint and several personal guarantees from all Shareholders of P N C Investments L.L.C;
- Irrevocable assignment of certain escrow accounts maintained in the name of Sobha L.L.C;
- Mortgage over certain plots of land in Sobha Hartland Project, Mohammed Bin Rashid Al Maktoum City, Dubai, UAE and Plot located at Al Sufouh, Tecom, Dubai, UAE;
- Mortgage over commercial space owned by P N C Investments L.L.C situated in Business Bay, Dubai, UAE and assignment of lease rent generated, if any;
- Mortgage over properties owned by P N C Investments L.L.C for AED 170 million in favour of the Bank.
- Pledge of 'Facility Service Reserve Account' / 'Debt Service Reserve Account.';
- Assignment of sale proceeds from the plots at Sobha Hartland Project, Mohammed Bin Rashid Al Maktoum City, Dubai;
- Assignment of insurance policies to respective financial institutions, as per the agreed terms;
- Subordination of partners'/directors' current and loan account in P N C Investments L.L.C
- Personal guarantees of Mr. Puthan N C Menon and Mrs. Sobha Menon Raghavan Nair along with the personal net-worth statements, covering the total facilities;
- Post-dated cheques in favour of financial institutions;
- First and exclusive charge by way of mortgage on Plot No. 287 (including immovable structures, present & future) pertaining to Phase 3 G+12 apartment of "Sobha Hartland" project.
- 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".
- 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
- First and exclusive charge by way of mortgage on Plot No. 65 (including immovable structures, present & future) pertaining to the Sobha Waves Grande project in "Sobha Hartland".
- Mortgage over land located at Plot No. 6110129, Bukadra, Dubai, UAE;
- First and exclusive charge on receivables deposited/to be deposited in Escrow Accounts from sold and unsold inventory of Phase 3 G+12 apartment of project "Sobha Hartland";
- Corporate guarantee of P N C Investment L.L.C;
- Post-dated cheques ("PDC") for one Interest instalment and principal amount on term loans before disbursement.
- Irrevocable assignment of all surplus/excess cash flow dividends/profits of Greens Phase 1, Greens Phase 2, Green Phase 3, Villas – Phase 1, Townhouses and Villa Phase 2; and
- Irrevocable assignment of all dividends/profits of Creek Vista 1, One Park Avenue and Creek Vista Reserve.



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**Notes to the unaudited interim condensed consolidated financial information**  
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**20 Finance lease liabilities**

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

	<b>(Unaudited) June 30, 2023</b>		<b>(Audited) December 31, 2022</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
	<b>AED '000</b>	<b>AED '000</b>	<b>AED '000</b>	<b>AED '000</b>
Finance lease liabilities	<b>21</b>	<b>-</b>	<b>46</b>	<b>-</b>

The movement in the finance lease liabilities is as follows:

	<b>(Unaudited) June 30, 2023</b>	<b>(Audited) December 31, 2022</b>
	<b>AED</b>	<b>AED</b>
Opening balance	<b>46</b>	<b>824</b>
Finance cost (note 26)	<b>3</b>	<b>97</b>
Repayments	<b>(28)</b>	<b>(875)</b>
Closing balance	<b>21</b>	<b>46</b>

At the reporting date, the net carrying amount of the Group's assets held under a finance lease arrangement is AED 15,447 (2022: AED 65,191).

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

	<b>Minimum lease payments due</b>		
	<b>Within 1 year</b>	<b>More than 1 year</b>	<b>Total</b>
	<b>AED '000</b>	<b>AED '000</b>	<b>AED '000</b>
<b>June 30, 2023 (Unaudited)</b>			
Lease payments	<b>23</b>	<b>-</b>	<b>23</b>
Finance charges	<b>(2)</b>	<b>-</b>	<b>(2)</b>
Net present value	<b>21</b>	<b>-</b>	<b>21</b>
<b>December 31, 2022 (Audited)</b>			
Lease payments	<b>51</b>	<b>-</b>	<b>51</b>
Finance charges	<b>(5)</b>	<b>-</b>	<b>(5)</b>
Net present value	<b>46</b>	<b>-</b>	<b>46</b>



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**21 Trade and other payables**

	(Unaudited) June 30, 2023 AED '000	(Audited) December 31, 2022 AED '000
<b>Financial liabilities</b>		
Trade payables*	646,672	304,523
Staff advances and payables	2,166	1,514
Accruals	197,875	224,225
Other	455	384
	<u>847,168</u>	<u>530,646</u>
<b>Non-financial liabilities</b>		
Advance from customers**	32,080	19,377
Excess billings	15,136	47,113
	<u>47,216</u>	<u>66,490</u>
	<u>894,384</u>	<u>597,136</u>

\* Trade payables as of the reporting date include AED 525,105,769 (2022: AED 169,712,000) payable in relation to the purchase of investment properties (refer note 6 (c)).

\*\*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.

**22 Revenue**

	(Unaudited) June 30, 2023 AED '000	(Audited) June 30, 2022 AED '000
Revenue from sale of apartments and villas	3,227,426	2,686,465
Less: units cancelled during the period*	(3,893)	(4,685)
Revenue from security services	4,395	3,276
	<u>3,227,928</u>	<u>2,685,056</u>

\*As a result of customer defaults, sales and purchase agreements with customers for 5 units (2022: 3 units) were cancelled and the Group has reinstated these units.

**P N C Investments L.L.C**  
**Unaudited Interim Condensed Consolidated Financial Information**

**Notes to the unaudited interim condensed consolidated financial information**  
**(continued)**  
**For the period ended June 30, 2023**

**23 Direct costs**

	(Unaudited) June 30, 2023 AED '000	(Audited) June 30, 2022 AED '000
Construction cost	780,019	453,642
Land cost	686,753	773,347
Finance cost	182,121	110,509
Design cost	98,351	57,942
Overheads	96,650	131,298
Infrastructure cost	83,647	128,059
Less: cost of units cancelled during the period	(2,311)	(2,894)
Other direct costs	6,119	2,599
	<u>1,931,349</u>	<u>1,654,502</u>

**24 Administrative and general expenses**

	(Unaudited) June 30, 2023 AED '000	(Audited) June 30, 2022 AED '000
Commission expense	93,588	44,564
Salaries and other benefits	77,775	73,863
Repairs and maintenance	10,833	3,074
Legal and professional	9,535	466
Administration and management fee* (note 12)	7,456	5,229
Communication expense	6,234	3,503
Utilities	4,317	1,002
Printing and stationary	1,595	501
Bank charges	1,549	598
Rent	445	423
Other	6,259	1,753
	<u>219,586</u>	<u>134,976</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.

**25 Selling and marketing expenses**

	(Unaudited) June 30, 2023 AED '000	(Audited) June 30, 2022 AED '000
Commission expense	345,514	250,164
Advertisement and marketing	50,784	42,283
Business promotion	10,933	16,252
	<u>407,231</u>	<u>308,699</u>

**P N C Investments L.L.C**  
**Unaudited Interim Condensed Consolidated Financial Information**

**Notes to the unaudited interim condensed consolidated financial information**  
**(continued)**  
**For the period ended June 30, 2023**

**26 Finance costs – net**

	(Unaudited) June 30, 2023 AED '000	(Audited) June 30, 2022 AED '000
Interest on borrowings	43,534	68,125
Interest capitalised to properties under development	(27,792)	(35,818)
Net interest on borrowings	15,742	32,307
Interest on finance lease liability	3	83
Loan processing fees	5,208	5,959
	<u>20,953</u>	<u>38,349</u>

**27 Capital commitments**

	(Unaudited) June 30, 2023 AED '000	(Audited) December 31, 2022 AED '000
Capital commitments for properties under development	7,774,658	5,677,502
Capital commitments for purchase of land	-	460,000

**P N C Investments L.L.C**  
**Unaudited Interim Condensed Consolidated Financial Information**

**Notes to the unaudited interim condensed consolidated financial information**  
**(continued)**  
**For the period ended June 30, 2023**

**28 Cash flow adjustments and net changes in working capital**

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

	Notes	(Unaudited) June 30, 2023 AED '000	(Audited) June 30, 2022 AED '000
<b>Adjustments for:</b>			
Depreciation and amortisation		8,928	7,562
Gain on fair value of investment properties		(36,176)	(28,068)
Loan processing fees	26	5,208	5,959
Net interest expense on borrowings	26	15,742	32,307
Interest expense on finance lease liabilities	26	3	83
Loss on write-off of properties and equipment		149	-
Provision for employees' end of service benefits		4,346	1,978
		<u>(1,800)</u>	<u>19,821</u>
<b>Net changes in working capital:</b>			
Trade and other receivables		(372,608)	(1,120,300)
Other financial assets		(15,839)	11,868
Due to related parties		15,984	(25,420)
Trade and other payables		(58,146)	(9,709)
Properties under development		1,018,522	1,101,252
		<u>587,913</u>	<u>(42,309)</u>

**29 Fair value measurement**

Assets and liabilities measured at fair value in the condensed 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).

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

	Notes	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
<b>(Unaudited) June 30, 2023</b>					
Investment properties (note 6)	(i)	-	-	1,561,311	1,561,311
Financial asset (note 8)	(ii)	1,108,363	-	-	1,108,363
<b>(Audited) December 31, 2022</b>					
Investment properties (note 6)	(i)	-	-	1,303,186	1,303,186
Financial asset (note 8)	(ii)	1,211,049	-	-	1,211,049

**P N C Investments L.L.C**  
**Unaudited Interim Condensed Consolidated Financial Information**

**Notes to the unaudited interim condensed consolidated financial information**  
**(continued)**

**For the period ended June 30, 2023**

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**29 Fair value measurement (continued)**

**(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 at June 30, 2023 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.

**30 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 shareholders' value; and to maintain an optimal capital structure to reduce the cost of capital.

The Group's capital structure follows:

	(Unaudited) June 30, 2023 AED '000	(Audited) December 31, 2022 AED '000
Total equity attributable to the Shareholders of the Company	7,570,880	6,960,930
Cash and cash equivalents	865,933	679,155

**31 Subsequent event**

Subsequent to the period end, on July 17, 2023, Sobha Sukuk Limited, a subsidiary (refer note 1), issued a five-year Sukuk, listed on Nasdaq Dubai, 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, commencing from January 17, 2024.