IMPORTANT NOTICE

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES OR TO ANY U.S. PERSON.

IMPORTANT: **You must read the following disclaimer before continuing.** The following disclaimer applies to the attached offering circular (the "**Offering Circular**") and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the Offering Circular is confidential and intended only for you and you agree you will not forward, reproduce or publish this electronic transmission or the Offering Circular to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR SOLICITATION IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED IN THE OFFERING CIRCULAR HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE U.S. THE SECURITIES DESCRIBED IN THE OFFERING CIRCULAR MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")), OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

The securities described in the Offering Circular constitute "alternative finance investment bonds" within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended). The Offering Circular is not being distributed to, and must not be passed on to, the general public in the United Kingdom. The distribution in the United Kingdom of the Offering Circular and any other marketing materials relating to the Trust Certificates is being addressed to, or directed at, only the following persons: (a) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"); (b) persons falling within any of the categories of persons described in Article 49 (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (c) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order (each a "**relevant person**"). Persons of any other description in the United Kingdom may not receive and should not act or rely on the Offering Circular or any other marketing materials in relation to the Trust Certificates.

Confirmation of your representation: By accessing the Offering Circular you confirm to PNC Investments LLC ("**PNCI**"), to Sobha Sukuk Limited (in its capacities as issuer of the securities and as trustee for the holders of the securities, the "**Trustee**") and to each of Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC, Mashreqbank psc (acting through its Islamic Banking Division) and Standard Chartered Bank (the "**Joint Global Co-ordinators**") and to each of Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC, Mashreqbank psc (acting through its Islamic Banking Division), Sharjah Islamic Bank PJSC and Standard Chartered Bank (the "**Joint Lead Managers**") that: (i) you understand and agree to the terms set out herein; (ii) you are a relevant person; (iii) you are not a U.S. person (within the meaning of Regulation S), or acting for the account or benefit of a U.S. person, and, to the extent that you purchase the securities described herein, you will be doing so pursuant to Regulation S, and that the electronic mail address that you have given is not located in the United States (including any state of the United States and the District of Colombia), its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands); (iv) you are a person who is permitted under applicable law and regulation to receive the Offering Circular; (v) you consent to delivery of such Offering Circular and any supplements thereto by electronic transmission; (vi) you will not transmit the Offering Circular (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person; and (vii) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation, *Shari'a* or other economic considerations with respect to your decision to subscribe or purchase any of the securities.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of the Offering Circular to any other person. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

The Offering Circular does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that an offering of securities described herein be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such licensed Joint Lead Manager or such affiliate on behalf of PNCI, the Trustee or holders of the applicable securities in such jurisdiction.

Recipients of the Offering Circular who intend to subscribe for or purchase the securities described herein are reminded that any subscription or purchase may only be made on the basis of the information contained in the Offering Circular and/or supplement(s) to the Offering Circular (if any).

The distribution of the Offering Circular in certain jurisdictions may be restricted by law. Persons into whose possession the Offering Circular comes are required by PNCI, the Trustee and the Joint Lead Managers to inform themselves about, and to observe, any such restrictions.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of PNCI, the Trustee, the Joint Lead Managers, the Delegate or the Agents, nor any person who controls them, or any director, officer, employee or agent of them or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from PNCI, the Trustee and the Joint Lead Managers. Please ensure that your copy is complete. Any reply e-mail communications, including those you generate by using the "reply" function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING CIRCULAR

SOBHA
REALTY

SOBHA SUKUK LIMITED

(incorporated as an exempted company with limited liability in the Cayman Islands)

U.S.$300,000,000 TRUST CERTIFICATES DUE 2028

The U.S.$300,000,000 trust certificates due 2028 (the "**Trust Certificates**") of Sobha Sukuk Limited (in its capacities as issuer of the Trust Certificates and trustee for the Certificateholders (as defined below), the "**Trustee**") will be constituted by a declaration of trust (the "**Declaration of Trust**") dated 17 July 2023 (the "**Issue Date**") entered into between the Trustee, PNC Investments LLC ("**PNCI**" or the "**Obligor**") and The Law Debenture Trust Corporation p.l.c. (as: (i) donee of certain powers; and (ii) as delegate of the Trustee, the "**Delegate**"). The Trust Certificates confer on the holders of the Trust Certificates from time to time (the "**Certificateholders**") the right to receive certain payments (as more particularly described herein) arising from a *pro rata* ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the "**Trust**") over the Trust Assets (as defined herein) and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Trust Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Trust Certificates (the "**Conditions**").

Periodic Distribution Amounts (as defined in the Conditions) shall be payable subject to and in accordance with the Conditions on the outstanding face amount of the Trust Certificates from (and including) the Issue Date to (but excluding) 17 July 2028 (the "**Scheduled Dissolution Date**") at a rate of 8.750 per cent. per annum. The Trust Certificates shall be redeemed on the Scheduled Dissolution Date but the Trust Certificates may also be redeemed before the Scheduled Dissolution Date in certain circumstances described in Condition 11 (*Capital Distributions of Trust*).

The Trust Certificates will be limited recourse obligations of the Trustee. An investment in Trust Certificates involves certain risks. For a discussion of these risks, see "*Risk Factors*".

Application has been made to the London Stock Exchange plc (the "**London Stock Exchange**") for the Trust Certificates to be admitted to the London Stock Exchange's International Securities Market (the "**ISM**"). The ISM is not a United Kingdom ("**UK**") regulated market for the purposes of Regulation (EU) No. 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") ("**UK MiFIR**").

The ISM is a market designated for professional investors. Trust Certificates admitted to trading on the ISM are not admitted to the Official List of the UK Financial Conduct Authority (the "FCA"). The London Stock Exchange has not approved or verified the contents of this Offering Circular.

This Offering Circular has been approved by the Dubai Financial Services Authority (the "**DFSA**") under the DFSA's Markets Rule 2.6 and is therefore an Approved Prospectus for the purposes of Article 14 of the DFSA's Markets Law 2012 (as amended). Application has also been made to the DFSA for the Trust Certificates to be admitted to the official list of securities (the "**DFSA Official List**") maintained by the DFSA and to Nasdaq Dubai for the Trust Certificates to be admitted to trading on Nasdaq Dubai.

References in this Offering Circular to Trust Certificates being "admitted to trading" (and all related references) shall, so far as the context permits, mean that such Trust Certificates have been: (a) admitted to trading on the ISM; and (b) admitted to trading on Nasdaq Dubai and have been admitted to the DFSA Official List.

The Trust Certificates will be delisted from the ISM, Nasdaq Dubai and/or any other stock exchange on which the Trust Certificates have been admitted to trading following the occurrence of a Tangibility Event (as defined herein). See Condition 11.4 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*).

The Trust Certificates will be issued in registered form in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Trust Certificates will initially be represented by a global certificate in registered form (the "**Global Trust Certificate**") deposited on or before the Issue Date with, and registered in the name of the nominee of, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Interests in the Global Trust Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Trust Certificates evidencing holdings of interests in the Trust Certificates will be issued in exchange for interests in the Global Trust Certificate only in certain limited circumstances described therein.

The Trust Certificates are expected to be assigned a rating of Ba3 by Moody's Deutschland GmbH ("**Moody's**") and a rating of BB- by S&P Global Ratings Europe Limited ("**S&P**"). PNCI has been assigned a long-term rating of Ba3 with a stable outlook by Moody's and a long-term rating of BB- with a positive outlook by S&P. Each of Moody's and S&P is established in the European Union ("**EU**") and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "**EU CRA Regulation**"). As such, each of Moody's and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website (at https://www.esma.europa.eu/credit-rating-agencies/cra-authorisation) in accordance with the EU CRA Regulation. Moody's and S&P are not established in the UK and have not applied for registration under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). The ratings issued by Moody's have been endorsed by Moody's Investors Service Ltd. The ratings issued by S&P have been endorsed by S&P Global Ratings UK Limited. Each of Moody's Investors Service Ltd. and S&P Global Ratings UK Limited is established in the UK and is registered under the UK CRA Regulation.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Trust Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Trust Certificates may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The transaction structure relating to the Trust Certificates (as described in this Offering Circular) has been approved by the Internal Sharia Supervisory Committee of Dubai Islamic Bank PJSC, the Emirates NBD Islamic Internal Shari'a Supervision Committee and the Global Shariah Supervisory Committee of Standard Chartered Bank as, in their view, complying with *Shari'a* principles as applicable to, and interpreted by, them. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Trust Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in such approvals referred to above, including the tradability of the Certificates in the secondary market, is in compliance with *Shari'a* principles (including, without limitation, their individual standards of compliance relating thereto). None of PNCI, the Trustee, the Joint Lead Managers, the Delegate or any of the Agents makes any representation as to the *Shari'a* compliance of the Trust Certificates and/or any trading thereof (including, without limitation, any future trading of the Trust Certificates on any secondary market) and none of the Trustee, PNCI, the Joint Lead Managers, the Delegate or any of the Agents shall be liable to any Certificateholder or any other person in respect thereof. Potential investors are reminded that, as with any *Shari'a* views, differences in opinion are possible and different *Shari'a* standards may be applied by different *Shari'a* boards.

JOINT GLOBAL CO-ORDINATORS

Dubai Islamic Bank PJSC

Emirates NBD Capital

Mashreqbank psc (acting through its Islamic Banking Division)

Standard Chartered Bank

JOINT LEAD MANAGERS

Dubai Islamic Bank PJSC

Emirates NBD Capital

Mashreqbank psc
(acting through its Islamic Banking Division)

Sharjah Islamic Bank PJSC

Standard Chartered Bank

The date of this Offering Circular is 13 July 2023.

IMPORTANT NOTICES

This Offering Circular complies with the requirements in Part 2 of the Markets Law (DIFC Law No. 1 of 2012) and Chapter 2 of the Markets Rules. The DFSA does not accept any responsibility for the content of the information included in this Offering Circular, including the accuracy or completeness of such information. The liability for the content of this Offering Circular lies with each of the Trustee and PNCI and other persons, such as experts, whose opinions are included in this Offering Circular with their consent. The DFSA has also not assessed the suitability of the Trust Certificates to which this Offering Circular relates to any particular investor or type of investor and has not determined whether they are *Shari'a* compliant. If you do not understand the contents of this Offering Circular or are unsure whether the Trust Certificates to which this Offering Circular relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

Each of the Trustee and PNCI accepts responsibility for the information contained in this Offering Circular. Having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is, to the best of the knowledge of each of the Trustee and PNCI, in accordance with the facts and does not omit anything likely to affect its import.

The information on the websites to which this Offering Circular refers does not form part of this Offering Circular and has not been scrutinised or approved by the FCA.

None of the Joint Lead Managers (each as specified under "*Overview of the Offering*"), the Agents (as defined in the "*Terms and Conditions of the Trust Certificates*") or the Delegate (as specified under "*Overview of the Offering*"), their respective affiliates or any of their respective directors, officers, advisers or agents have independently verified the information contained herein. Accordingly, none of the Joint Lead Managers, the Agents, the Delegate, their respective affiliates or any of their respective directors, officers, advisers or agents accepts any responsibility or liability for and makes no representation, warranty or undertaking, express or implied, as to: (a) the accuracy or completeness of the information contained in this Offering Circular; (b) any acts or omissions of the Trustee, PNCI or any other person in connection with this Offering Circular or the issue and offering of the Trust Certificates; or (c) any other information provided in connection with the Trustee, PNCI, the Trust Certificates or their distribution. Each Joint Lead Manager, Agent, the Delegate and their respective affiliates or any of their respective directors, officers, advisers or agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any other information provided by the Trustee or PNCI in connection with the Trust Certificates or their distribution.

No person is or has been authorised by the Trustee or PNCI to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the issue or sale of the Trust Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by PNCI, the Trustee, the Delegate, the Joint Lead Managers or any Agent.

Neither this Offering Circular nor any other information supplied in connection with the Trust Certificates: (i) is intended to provide the basis of any credit or other evaluation; or (ii) should be considered as a recommendation by PNCI, the Trustee, the Delegate, any Joint Lead Manager or any Agent that any recipient of this Offering Circular or any other information supplied in connection with the Trust Certificates should purchase any Trust Certificates. Each investor contemplating purchasing Trust Certificates should determine for itself the relevance of the information contained in this Offering Circular, make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Trustee and PNCI and its purchase of any Trust Certificates should be based upon such investigation as it deems necessary. Neither this Offering Circular nor any other information supplied in connection with the issue of the Trust Certificates constitutes an offer or invitation by or on behalf of PNCI, the Trustee, the Delegate, the Joint Lead Managers or the Agents to any person to subscribe for or to purchase any Trust Certificates. None of the Joint Lead Managers, the Agents or the Delegate undertakes to review the financial condition or affairs of the Trustee or PNCI during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Trust Certificates of any information coming to the attention of any of the Joint Lead Managers, the Agents or the Delegate.

Neither the delivery of this Offering Circular nor the offer, issue, sale or delivery of the Trust Certificates shall, under any circumstances, imply that there has been no change in the affairs of the Trustee, PNCI or

PNCI's subsidiaries and affiliates taken as a whole (the "**Group**") since the date hereof or that the information contained herein concerning the Trustee and/or PNCI and/or the Group is correct as at any time subsequent to its date or that any other information supplied in connection with the offering of the Trust Certificates is correct as at any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Trustee, PNCI or the Group during the life of the Trust Certificates or to advise any investor in the Trust Certificates of any information coming to their attention or that there has been no change in the affairs of any party mentioned herein since that date.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Trust Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Trust Certificates may be restricted by law in certain jurisdictions. PNCI, the Trustee, the Delegate, the Joint Lead Managers and the Agents do not represent that this Offering Circular may be lawfully distributed, or that any Trust Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by PNCI, the Trustee, the Delegate, the Joint Lead Managers or the Agents, which is intended to permit a public offering of any Trust Certificates or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Trust Certificates may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Trust Certificates may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Trust Certificates. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Trust Certificates in the United States, the UK, the Kingdom of Bahrain, the Sultanate of Oman, the Kingdom of Saudi Arabia, the State of Qatar (including the Qatar Financial Centre), the Cayman Islands, the United Arab Emirates (the "**UAE**") (excluding the Dubai International Financial Centre (the "**DIFC**") and the Abu Dhabi Global Market (the "**ADGM**")), the DIFC, the ADGM, the State of Kuwait, Hong Kong, Singapore and Malaysia (see "*Subscription and Sale*").

No comment is made or advice given by PNCI, the Trustee, the Delegate, the Joint Lead Managers or the Agents in respect of taxation or *Shari'a* matters relating to any Trust Certificates or the legality of the purchase of Trust Certificates by an investor under applicable or similar laws.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER, BUSINESS ADVISER AND *SHARI'A* ADVISER AS TO TAX, LEGAL, BUSINESS, *SHARI'A* AND RELATED MATTERS CONCERNING THE PURCHASE OF TRUST CERTIFICATES.

The Trust Certificates are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Trust Certificates which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Trust Certificates will perform under changing conditions, the resulting effects on the value of such Trust Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

The Trust Certificates may not be a suitable investment for all investors. Generally, investment in emerging markets such as the UAE is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Each potential investor in Trust Certificates must determine the suitability of an investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Trust Certificates and the complex structure thereof, the merits and risks of investing in the Trust Certificates and the information contained in this Offering Circular or any applicable supplement;

- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Trust Certificates and the impact the Trust Certificates will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Trust Certificates, including where the currency of payment is different from the potential investor's currency;
- understands thoroughly the terms of the Trust Certificates and is familiar with the behaviour of any relevant indices and financial markets;
- is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks; and
- is able to evaluate the compliance of the Trust Certificates with *Shari'a* principles (including, without limitation, their individual standards of compliance relating thereto).

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (1) the Trust Certificates are legal investments for it; (2) the Trust Certificates can be used as collateral for various types of financing; and (3) other restrictions apply to its purchase or pledge of any Trust Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Trust Certificates under any applicable risk-based capital or similar rules.

None of the Trustee, PNCI, the Joint Lead Managers, the Delegate or any Agent makes any representation to any investor in the Trust Certificates regarding the legality of its investment under any applicable laws. Any investor in the Trust Certificates should be able to bear the economic risk of an investment in the Trust Certificates for an indefinite period of time.

UK MiFIR PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET

Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Trust Certificates has led to the conclusion that: (a) the target market for the Trust Certificates is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in UK MiFIR; and (b) all channels for distribution of the Trust Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Trust Certificates (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Trust Certificates (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

VOLCKER RULE

The Volcker Rule, which became effective on 1 April 2014, but was subject to a conformance period for certain entities that concluded on 21 July 2015, generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from: (a) engaging in proprietary trading; (b) acquiring or retaining an ownership interest in or sponsoring a "covered fund"; and (c) entering into certain relationships with "covered funds". The general effects of the Volcker Rule remain uncertain; any prospective investor in the Trust Certificates and any entity that is a "banking entity" as defined under the Volcker Rule which is considering an investment in the Trust Certificates should consult its own legal advisers and consider the potential impact of the Volcker Rule in respect of such investment. If investment by "banking entities" in the Trust Certificates is prohibited or restricted by the Volcker Rule, this could impair the marketability and liquidity of such Trust Certificates. No assurance can be made as to the effect of the Volcker Rule on the ability of certain investors subject thereto to acquire or retain an interest in the Trust Certificates, and accordingly none of PNCI, the Trustee, the Joint Lead Managers, the Delegate or the Agents, or any of their respective affiliates makes any representation regarding: (i) the status of the

Trustee under the Volcker Rule (including whether it is a "covered fund" for their purposes); or (ii) the ability of any purchaser to acquire or hold the Trust Certificates, now or at any time in the future.

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, Trust Certificates issued in connection with this Offering Circular and related offering documents may only be offered in registered form to existing accountholders and accredited investors (each as defined by the Central Bank of Bahrain (the "**CBB**")) in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.$100,000 or any equivalent amount in any other currency or such other amount as the CBB may determine.

This Offering Circular does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Offering Circular and any related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Trust Certificates may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Offering Circular or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors (as such term is defined by the CBB) for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Offering Circular or any related offering documents and it has not in any way considered the merits of the Trust Certificates to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Offering Circular and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Offering Circular. No offer of Trust Certificates will be made to the public in the Kingdom of Bahrain and this Offering Circular must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO RESIDENTS OF THE SULTANATE OF OMAN

The information contained in this Offering Circular does not constitute a public offer of securities in the Sultanate of Oman as contemplated by the Commercial Companies Law of the Sultanate of Oman (Royal Decree 18/19, as amended) (the "**Commercial Companies Law**") or Article 3 of the Capital Market Law of the Sultanate of Oman (Royal Decree 80/98, as amended) nor does it constitute a sukuk offering pursuant to the Sukuk Regulation issued by the Oman Capital Market Authority (CMA Decision 3/2016). This Offering Circular will only be made available to investors in the Sultanate of Oman in accordance with Article 139 of the Executive Regulations of the Capital Market Law (CMA Decision 1/2009, as amended) (the "**Executive Regulations**") by an entity duly licensed by the Oman Capital Market Authority to market non-Omani securities in the Sultanate of Oman.

This Offering Circular has not been (and will not be) filed with the Capital Market Authority of the Sultanate of Oman (except in accordance with Article 139 of the Executive Regulations), the Central Bank of Oman or any other regulatory authority in the Sultanate of Oman and neither the Oman Capital Market Authority nor the Central Bank of Oman assumes responsibility for the accuracy and adequacy of the statements and information contained in this Offering Circular and shall not have any liability to any person for damage or loss resulting from reliance on any statements or information contained herein.

KINGDOM OF SAUDI ARABIA NOTICE

This document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**").

The Capital Market Authority does not make any representations as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document, you should consult an authorised financial adviser.

NOTICE TO RESIDENTS OF THE STATE OF QATAR (INCLUDING THE QATAR FINANCIAL CENTRE)

The Trust Certificates will not be offered or sold at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Offering Circular has not been and will not be reviewed or approved by, or registered with, the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority in accordance with their regulations or any other regulations in the State of Qatar (including the Qatar Financial Centre). The Trust Certificates are not and will not be traded on the Qatar Stock Exchange. The Trust Certificates and interests therein will not be offered to investors domiciled or resident in the State of Qatar (including the Qatar Financial Centre) and do not constitute debt financing in the State of Qatar (including the Qatar Financial Centre) under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of the State of Qatar (including the Qatar Financial Centre).

NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

No invitation, whether directly or indirectly, may be made to any member of the public in the Cayman Islands to subscribe for the Trust Certificates and this Offering Circular shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for the Trust Certificates.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT 2001 (2020 REVISED EDITION) OF SINGAPORE

In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as amended or modified from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Trust Certificates are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products).

STABILISATION

IN CONNECTION WITH THE ISSUE OF THE TRUST CERTIFICATES, STANDARD CHARTERED BANK (THE "STABILISATION MANAGER") (OR ANY PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE TRUST CERTIFICATES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION ACTION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE ISSUE DATE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE AND 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE TRUST CERTIFICATES. ANY STABILISATION ACTION MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

Historical financial statements

The financial statements relating to the Group and included in this Offering Circular are:

- the unaudited interim condensed consolidated financial statements as at and for the three months ended 31 March 2023, including comparative financial information as at and for the three months ended 31 March 2022 (the "**Interim Financial Statements**");
- the audited consolidated financial statements as at and for the year ended 31 December 2022, including comparative financial information as at and for the year ended 31 December 2021 (the "**2022 Financial Statements**"); and

- the audited consolidated financial statements as at and for the year ended 31 December 2021, including comparative financial information as at and for the year ended 31 December 2020 (the "**2021 Financial Statements**" and, together with the 2022 Financial Statements, the "**Audited Financial Statements**").

The Interim Financial Statements and the Audited Financial Statements are together referred to herein as the "**Financial Statements**".

The unaudited interim condensed consolidated financial statements as at and for the three months ended 31 March 2023 have been prepared in accordance with International Accounting Standard (IAS) 34 – Interim Financial Reporting and have been reviewed, without qualification, in accordance with International Standard on Review Engagements 2410 (ISRE) "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" by Grant Thornton Audit and Accounting Limited (Dubai Branch) ("**Grant Thornton**"). The comparative financial information as at and for the three months ended 31 March 2022 included in the Interim Financial Statements has not been audited or reviewed by Grant Thornton or any other external independent auditor and has been derived from the Group's internal management accounts.

The Audited Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board and the requirements of applicable UAE law. The Audited Financial Statements have been audited in accordance with International Standards on Auditing (ISAs) by Grant Thornton, who have issued unqualified reports on the Audited Financial Statements.

Unless indicated otherwise in this Offering Circular, the financial information of the Group: (i) as at and for the three months ended 31 March 2022 has been extracted from the Interim Financial Statements (although, as stated above, has not been audited or reviewed by Grant Thornton and has been derived from the Group's internal management accounts); (ii) as at and for the year ended 31 December 2021 has been extracted from the 2022 Financial Statements; and (iii) as at and for the year ended 31 December 2020 has been extracted from the 2021 Financial Statements. The Financial Statements should be read in conjunction with the respective notes thereto.

The Group's financial year ends on 31 December and references in this Offering Circular to "**2022**", "**2021**" and "**2020**" are to the 12-month period ending on 31 December in each such year.

The Group's functional currency is UAE dirham and the Group publishes its financial statements in UAE dirham.

Certain unaudited information

Certain financial information in this Offering Circular contained in "*Selected Financial Information – Selected Alternative Performance Measures*" is unaudited financial information which has been extracted without material adjustment from the accounting records of the Group which form the underlying basis of the Financial Statements. This information also constitutes alternative performance measures for the purposes of the ESMA Guidelines on Alternative Performance Measures ("**APMs**"). None of this financial information is subject to any audit or review by independent auditors.

The Group's APMs included in this Offering Circular are EBITDA, gross profit margin and net profit margin, which are not measures of financial performance under IFRS. PNCI believes that the presentation of these APMs is helpful to investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity. However, these APMs should not be considered in isolation or as a substitute for operating profit, cash flow from operating activities or other financial measures of the Group's results of operations or liquidity computed in accordance with IFRS. Other companies, including those in the Group's industry, may calculate these APMs differently from the Group. As all companies do not calculate these APMs in the same manner, the Group's presentation of these APMs may not be comparable to other similarly titled measures of other companies. See further "*Selected Financial Information – Selected Alternative Performance Measures*".

EBITDA

In determining EBITDA, the Group adds back to net profit for the period/year the following items:

- finance cost;
- taxes; and
- depreciation and amortisation,

and subtracts the following items:

- reversal of provision for infrastructure costs; and
- other income.

Some of the limitations of using EBITDA as a financial measure are:

- it does not reflect the Group's cash expenditures or future requirements for capital expenditure or contractual commitments;
- it does not reflect changes in, or cash requirements for, the Group's working capital needs; and
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and the measure does not reflect any cash requirements for such replacement.

For a reconciliation of reported net profit for the period/year to EBITDA for the three months ended 31 March in each of 2023 and 2022 and for the year ended 31 December in each of 2022, 2021 and 2020, see "*Selected Financial Information – Selected Alternative Performance Measures – EBITDA*".

Presentation of Other Information

Currencies

Unless otherwise indicated, in this Offering Circular, all references to:

- "**dirham**" and "**AED**" are to the lawful currency of the United Arab Emirates; and
- "**U.S. dollars**" and "**U.S.$**" are to the lawful currency of the United States.

Unless otherwise indicated, the financial information contained in this Offering Circular has been expressed in UAE dirham.

The dirham has been pegged to the U.S. dollar since 22 November 1980. The mid-point between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.$1.00.

Third party data

This Offering Circular contains information regarding the Group's business and the industry in which it operates and competes, which the Group has obtained from third party sources. Where third party information has been used in this Offering Circular, the source of such information has been identified.

Statistical information relating to the UAE included in this Offering Circular has been derived from official public sources, including Dubai's Department of Economy and Tourism, the Dubai Land Department ("**DLD**") and the International Monetary Fund (the "**IMF**"). All such statistical information may differ from that stated in other sources for a variety of reasons, including the use of different definitions and cut-off times. This data may subsequently be revised as new data becomes available and any such revised data will not be circulated by the Group to investors who have purchased the Trust Certificates.

Where information has not been independently sourced, it is the Group's own information.

No incorporation of website information

PNCI's website is www.sobharealty.com. The information on this website or any other website mentioned in this Offering Circular or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Offering Circular, and investors should not rely on it.

Definitions

In this Offering Circular:

- "**Dubai**" means the Emirate of Dubai;
- "**GCC**" means the Gulf Cooperation Council (comprising the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the State of Kuwait, the State of Qatar, the Sultanate of Oman and the UAE);
- "**Group**" refers to PNC Investments LLC and its consolidated subsidiaries (taken as a whole);
- "**MENA region**" means the region comprising the Middle East and North Africa; and
- "**PNCI**" refers to PNC Investments LLC.

Rounding

Certain financial statement data in this Offering Circular has been expressed in thousands, millions or billions of AED. As a result of such rounding, the totals of financial statement data presented in tables in this Offering Circular may vary slightly from the arithmetic totals of such data. Where used in tables, the figure "0" means that the data for the relevant item has been rounded to zero and the symbol "—" means that there is no data in respect of the relevant item. In addition, all percentage data in this Offering Circular has been rounded to one decimal place, with 0.050 being round up.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Offering Circular may be deemed to be forward looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "seeks", "estimate", "project", "will", "would", "may", "could", "continue", "should" and similar expressions are intended to identify forward looking statements. All statements other than statements of historical fact included in this Offering Circular, including, without limitation, those regarding the financial position of the Group, or the business strategy, management plans and objectives for future operations of the Group, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are contained in the sections entitled "*Risk Factors*" and "*Description of the Group's Business*" and other sections of this Offering Circular. PNCI has based these forward-looking statements on the current view of its management with respect to future events and financial performance. These forward-looking statements are based on numerous assumptions regarding PNCI's present, and future, business strategies and the environment in which PNCI expects to operate in the future. Important factors that could cause the Group's actual results, performance or achievements to differ materially from those in the forward-looking statements are discussed under "*Risk Factors*".

Forward-looking statements speak only as at the date of this Offering Circular and, without prejudice to any requirements under applicable laws and regulations, the Trustee and PNCI expressly disclaim any obligation or undertaking to publicly update or revise any forward-looking statements in this Offering Circular to reflect any change in the expectations of the Trustee or PNCI or any change in events, conditions or circumstances on which these forward-looking statements are based. Given the uncertainties of forward-looking statements, the Trustee and PNCI cannot assure potential investors that projected results or events will be achieved and the Trustee and PNCI caution potential investors not to place undue reliance on these statements.

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OVERVIEW OF THE OFFERING

Words and expressions defined in the "*Terms and Conditions of the Trust Certificates*" (the "**Conditions**") and elsewhere in this Offering Circular shall have the same meanings in this overview.

Description of the Trust Certificates	U.S.$300,000,000 Trust Certificates due 2028.
Trustee	Sobha Sukuk Limited, an exempted company with limited liability incorporated in the Cayman Islands under the Companies Act (as amended). The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party.
Ownership of the Trustee	The issued share capital of the Trustee is comprised of 250 ordinary shares of U.S.$1.00 par value each. All of the issued shares are fully paid and are held by Walkers Fiduciary Limited as Share Trustee under the terms of the Share Declaration of Trust. See "*Description of the Trustee*".
Administration of the Trustee	The affairs of the Trustee are managed by Walkers Fiduciary Limited (the "**Trustee Administrator**"), who will provide, amongst other things, corporate administrative services and director services pursuant to the corporate services agreement dated 12 June 2023 and made between, *inter alia*, the Trustee and the Trustee Administrator (the "**Corporate Services Agreement**").
Trustee's Legal Entity Identifier (LEI)	5493000HMN2AOHV8GU08.
Obligor	PNC Investments LLC.
Joint Global Co-ordinators	Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC, Mashreqbank psc (acting through its Islamic Banking Division) and Standard Chartered Bank.
Joint Lead Managers	Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC, Mashreqbank psc (acting through its Islamic Banking Division), Sharjah Islamic Bank PJSC and Standard Chartered Bank.
Delegate	The Law Debenture Trust Corporation p.l.c.
Principal Paying Agent	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Dublin Branch.
Risk Factors	There are certain factors that may affect the Trustee's ability to fulfil its obligations under the Trust Certificates and the Transaction Documents to which it is a party and PNCI's ability to fulfil its obligations under the Transaction Documents to which it is a party. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Trust Certificates. These risks may ultimately impact the Certificateholders' ability to receive payment under the Trust Certificates. See "*Risk Factors*".
Issue Date	17 July 2023.
Issue Price	100 per cent. of the aggregate face amount of the Trust Certificates.

Denomination of Trust Certificates	The Trust Certificates will be issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Periodic Distribution Dates	17 January and 17 July in each year, commencing on 17 January 2024.
Periodic Distribution Amount	Profit shall be payable in arrear in respect of the Trust Certificates on each Periodic Distribution Date, in respect of the Return Accumulation Period ending immediately before that date, as calculated in accordance with Condition 8 (*Periodic Distribution Provisions*).
Scheduled Dissolution Date	Unless the Trust Certificates are previously redeemed or purchased and cancelled, the Trust Certificates will be redeemed on 17 July 2028.
Form of Trust Certificates	The Trust Certificates will be issued in registered form only as described in "*Global Trust Certificate*". The Trust Certificates will be represented on issue by ownership interests in a Global Trust Certificate which will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Trust Certificate will be shown on, and transfers thereof will only be effected through, records maintained by each relevant clearing system and its participants. Definitive Trust Certificates evidencing holdings of interests in the Trust Certificates will be issued in exchange for interests in the Global Trust Certificate only in limited circumstances described under "*Global Trust Certificate*". Certificateholders must hold their interest in the Global Trust Certificate in book-entry form through Euroclear and/or Clearstream, Luxembourg. Transfers within and between each of Euroclear or Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.
Status of the Trust Certificates	Each Trust Certificate evidences an undivided ownership interest of the Certificateholders in the Trust Assets subject to the terms of the Declaration of Trust and the Conditions, and is a direct, unsubordinated, unsecured and limited recourse obligation of the Trustee. Each Trust Certificate will rank *pari passu*, without any preference or priority, with all other Trust Certificates.
Trustee Covenants	The Trustee has agreed to certain restrictive covenants. See Condition 7 (*Trustee Covenants*).
Obligor Covenants	PNCI has agreed to certain covenants, including a negative pledge. See Condition 5 (*Obligor Covenants*).
Dissolution Events	Upon the occurrence of any Dissolution Event, the Trust Certificates may be redeemed on the Dissolution Event Redemption Date at the Dissolution Event Amount. See Condition 15 (*Dissolution Events*).
Early Dissolution for Tax Reasons	Where the Trustee has or will become obliged to pay any additional amounts in respect of the Trust Certificates pursuant to Condition 13 (*Taxation*) or PNCI has or will become obliged to pay any additional amounts in respect of amounts payable pursuant to any Transaction Document to

which it is a party as a result of a change in the laws of a Relevant Jurisdiction and where such obligation cannot be avoided by the Trustee or PNCI, as applicable, taking reasonable measures available to it, the Trustee shall, upon receipt of an exercise notice from PNCI pursuant to the Sale and Substitution Undertaking, redeem the Trust Certificates in whole but not in part at the Tax Dissolution Amount on the relevant Dissolution Date in accordance with Condition 11.2 (*Early Dissolution for Tax Reasons*).

Partial Loss Event	If a Partial Loss Event shall occur with respect to any of the Lease Assets and provided that: (a) the Lease Assets have not been replaced pursuant to the Servicing Agency Agreement, and a notice of termination of the lease on the 61st day after the Partial Loss Event Date (a "**Partial Loss Termination Notice**") has been delivered by the Lessee to the Lessor within a period of 30 days after the Partial Loss Event Date; or (b) the Lease Assets have not been replaced pursuant to the Servicing Agency Agreement, without prejudice to any right or remedy that the Lessor may have under any Transaction Document or by law, the Lease shall automatically terminate on the 61st day after the Partial Loss Event Date and further rental payments shall cease to be due under the Lease Agreement on such 61st day after the Partial Loss Event Date in accordance with the Lease Agreement and the Lessor will be entitled to all proceeds of the insurances payable as a result of the Partial Loss Event. The termination of the Lease on the 61st day after the Partial Loss Event Date as a result of either of the circumstances described in (a) or (b) above shall constitute a PNCI Event as defined in Condition 15 (*Dissolution Events*).
Dissolution following a Total Loss Event	If a Total Loss Event (as defined herein) occurs and unless the Lease Assets are replaced in accordance with the Servicing Agency Agreement by no later than the 60th day after the occurrence of a Total Loss Event, the lease shall automatically terminate on the date of occurrence of the Total Loss Event (and further payments of rental shall cease to accrue on such date) in accordance with the Lease Agreement and the Trustee shall redeem the Trust Certificates on the 61st day after the occurrence of such Total Loss Event (being the Total Loss Dissolution Date) in accordance with Condition 11.3 (*Dissolution following a Total Loss Event*). Upon the occurrence of a Total Loss Event and from the date of the Trading Notice and until any further notice from the Trustee stating otherwise, in consultation with the *Shari'a* Adviser, the Trust Certificates should be tradable only in accordance with the *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis).
Tangibility Event Put Right	If a Tangibility Event occurs, Certificateholders may, in the circumstances set out in Condition 11.4 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*) exercise their right to redeem their Trust Certificates on any Tangibility Event Put Right Date at the Tangibility Event Dissolution Amount by delivering a Tangibility Event Put Notice within the Tangibility Event Put Period, subject to and in accordance with Condition 11.4 (*Dissolution at the*

Option of the Certificateholders (Tangibility Event Put Right)).

Following the occurrence of a Tangibility Event, as determined in consultation with the *Shari'a* Adviser, the Trust Certificates should be tradable only in accordance with the *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis).

On the date falling 15 days following the Tangibility Event Put Right Date, the Trust Certificates will be delisted from any stock exchange (if any) on which the Trust Certificates have been admitted to trading.

Change of Control Put Right

Upon the occurrence of a Change of Control and provided that a Change of Control Notice has been received by the Trustee in accordance with Condition 11.5 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*), Certificateholders may elect to redeem their Trust Certificates on the Change of Control Put Right Date at the Change of Control Dissolution Amount in accordance with Condition 11.5 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*).

A "**Change of Control**" shall occur if at any time any person other than Mr. PNC Menon, Mrs. Sobha Menon or their respective lineal descendants acquires, directly or indirectly, more than 50 per cent. of the issued share capital of PNCI.

Optional Dissolution Call Right

The Trustee, upon receipt of an Exercise Notice from PNCI in accordance with the Sale and Substitution Undertaking, shall redeem the Trust Certificates in whole, but not in part, at the Optional Dissolution Amount on the Optional Dissolution Date, subject to and in accordance with Condition 11.6 (*Dissolution at the Option of PNCI (Optional Dissolution Call Right)*).

Clean Up Call Right

If 75 per cent. or more of the aggregate face amount of the Trust Certificates then outstanding have been redeemed and/or purchased and cancelled pursuant to Condition 11 (*Capital Distributions of Trust*) or Condition 12 (*Purchase and Cancellation of Trust Certificates*), the Trustee shall, upon receipt of an exercise notice from PNCI in accordance with the Sale and Substitution Undertaking, redeem the Trust Certificates in whole but not in part, at the Clean Up Call Right Dissolution Amount on the Clean Up Call Right Dissolution Date, subject to and in accordance with Condition 11.7 (*Dissolution at the Option of PNCI (Clean Up Call Right)*).

Substitution of Lease Assets

Pursuant to the Sale and Substitution Undertaking, PNCI may, at any time, exercise its right to require the Trustee to substitute on any Substitution Date some or all of the Lease Assets with New Assets (as specified in the relevant Substitution Notice, and each as defined in the Sale and Substitution Undertaking) having a value which is equal to or greater than the value of the relevant Lease Assets being substituted.

Taxation

All payments in respect of the Trust Certificates shall be made in U.S. dollars without set-off or counterclaim of any kind and free and clear of, and without withholding or deduction for, any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or within the Relevant Jurisdiction, unless the withholding or deduction is required by law. In that event, the Trustee shall, save in the limited circumstances provided in Condition 13 (*Taxation*), be required to pay such additional amounts as will result in the receipt by the Certificateholders of such amounts as would have been received by them, had no such withholding or deduction been required.

All payments by PNCI (in any capacity) under the Transaction Documents to which it is a party shall be made in U.S. dollars without set-off or counterclaim of any kind and free and clear of, and without any deduction or withholding for, any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or within any Relevant Jurisdiction or any authority therein or thereof having power to tax, unless the withholding or deduction is required by law. In that event, PNCI shall pay such additional amounts as will result in the receipt by the Trustee or the Delegate (as applicable) of such amounts as would have been received by it had no such deduction or withholding been required.

Certificateholder Meetings

A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 19 (*Meetings of Certificateholders; Modification*).

Transaction Documents

The "**Transaction Documents**" are the Declaration of Trust, any Supplemental Declaration of Trust, the Agency Agreement, the Purchase Agreement, any Supplemental Purchase Agreement, the Lease Agreement, the Servicing Agency Agreement, the Sale and Substitution Undertaking, the Purchase Undertaking, any Sale Agreement and the Murabaha Agreement (including any documents, purchase orders and letters of offer and acceptance delivered or entered into as contemplated by the Murabaha Agreement).

Governing Law and Dispute Resolution

The Trust Certificates shall be governed by, and construed in accordance with, English law.

Each Transaction Document (other than the Purchase Agreement, any Supplemental Purchase Agreement, the Lease Agreement and any Sale Agreement), and any non-contractual obligations arising out of or in connection with any such Transaction Document, shall be governed by, and construed in accordance with, English law. In respect of any dispute under any such Transaction Document to which it is a party, PNCI has agreed to arbitration in London under the rules of arbitration of the London Court of International Arbitration (the "**LCIA**") (with the seat in London). PNCI has also agreed to submit to the exclusive jurisdiction of the courts of England at the option of the Trustee or the Delegate (as the case may be), in respect of any dispute under the Transaction Documents (other than the Purchase Agreement, any Supplemental Purchase Agreement, the Lease Agreement and any Sale Agreement), subject to the right of the Trustee or the Delegate (as the case may be) to require any dispute to be resolved by any other court of competent jurisdiction.

The Purchase Agreement, any Supplemental Purchase Agreement, the Lease Agreement and each Sale Agreement will be governed by the laws of the Emirate of Dubai and, to the extent applicable in the Emirate of Dubai, the federal laws of the UAE, and will be subject to the exclusive jurisdiction of the Dubai courts, subject to the right of the Trustee or the Delegate (as the case may be) to require any dispute to be resolved by any other court of competent jurisdiction.

Waiver of Immunity	PNCI has agreed in the Transaction Documents to which it is a party that to the extent that it may claim, in any jurisdiction, for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any jurisdiction to it or its assets or revenues, it shall not claim and irrevocably and unconditionally waives such immunity to the fullest extent permitted by the laws of such jurisdiction in relation to any proceedings or disputes.
Limited Recourse	Each Trust Certificate represents solely an undivided ownership interest in the Trust Assets. No payment of any amount whatsoever shall be made in respect of the Trust Certificates except to the extent that funds for that purpose are available for the Trust Assets. See Condition 4.2 (*Limited Recourse*).
Admission to Trading	Application has been made to the London Stock Exchange for the Trust Certificates to be admitted to the ISM with effect from the Issue Date. The ISM is not a UK regulated market for the purposes of UK MiFIR. The ISM is a market designated for professional investors. Trust Certificates admitted to trading on the ISM are not admitted to the Official List of the FCA. The London Stock Exchange has not approved or verified the contents of this Offering Circular. Application has also been made to Nasdaq Dubai for the Trust Certificates to be admitted to trading on Nasdaq Dubai and to the DFSA for the Trust Certificates to be admitted to the DFSA Official List.
Ratings	Upon issue, the Trust Certificates are expected to be assigned a rating of Ba3 by Moody's and a rating of BB- by S&P. *A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.*
Selling Restrictions	There are restrictions on the distribution of this Offering Circular and the offer or sale of Trust Certificates in the United States, the UK, the Kingdom of Bahrain, the Sultanate of Oman, the Kingdom of Saudi Arabia, the State of Qatar (including the Qatar Financial Centre), the Cayman Islands, the UAE (excluding the DIFC and the ADGM), the DIFC, the ADGM, the State of Kuwait, Hong Kong, Singapore and Malaysia. See "*Subscription and Sale*".
Use of Proceeds	The net proceeds of the Trust Certificates will be applied by the Trustee pursuant to the terms of the relevant Transaction Documents on the relevant Issue Date in the following proportion: (a) not less than 55 per cent. of the aggregate face

amount of the Trust Certificates towards the purchase from Sobha Capital LLC of all of its rights, title, interests, benefits and entitlements in, to and under the Assets pursuant to the Purchase Agreement; and (b) the remaining (being not more than 45 per cent. of the aggregate face amount of the Trust Certificates) towards the purchase of commodities to be subsequently sold to PNCI pursuant to the Murabaha Agreement.

The proceeds received by PNCI in consideration for the transactions entered into with the Trustee as set out above (comprising, for the avoidance of doubt, the Purchase Price payable pursuant to the Purchase Agreement and an amount equal to the Commodity Purchase Price payable to PNCI pursuant to the on-sale of commodities) will be applied by PNCI to settle existing financings and for its general corporate purposes.

RISK FACTORS

An investment in the Trust Certificates involves risks. Accordingly, prospective investors should carefully consider, amongst other things, the risks described below, as well as the detailed information set out elsewhere in this Offering Circular, and reach their own views before making an investment decision. The risks and uncertainties described below are not the only risks and uncertainties related to the Trustee, PNCI and the Trust Certificates. Additional risks and uncertainties not presently known, or currently believed to be immaterial, could also impair the Trustee's ability to make payments on the Trust Certificates. If any of the following risks actually materialise, the financial condition and prospects of the Trustee and/or PNCI could be materially adversely affected. If that were to happen, the trading price of the Trust Certificates could decline, and investors may lose all or part of their investment. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision. Words and expression defined elsewhere in this Offering Circular (including in the Terms and Conditions) shall have the same meanings in this section.

Risk Factors Relating to the Trustee

The Trustee has limited operating history and no material assets and will depend on receipt of payments from PNCI to make payments to Certificateholders

The Trustee was incorporated under the laws of the Cayman Islands on 16 May 2023 as an exempted company with limited liability. The Trustee has not and will not engage in any business activity other than the issuance of the Trust Certificates, the acquisition of Trust Assets as described herein, acting in the capacity as Trustee, the issuance of shares in its capital and other activities incidental or related to the foregoing as required under the Transaction Documents. Because the Trustee is a Cayman Islands company, it may not be possible for Certificateholders to effect service of process on it outside the Cayman Islands.

The Trustee's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets, including the obligation of PNCI to make payments to the Trustee under the Transaction Documents to which it is a party. Therefore, the Trustee is subject to all the risks to which PNCI is subject to the extent that such risks could limit PNCI's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents.

The ability of the Trustee to pay amounts due on Trust Certificates will therefore be dependent upon receipt by the Trustee from PNCI of amounts to be paid pursuant to the Transaction Documents (which may not be sufficient to meet all claims under the Trust Certificates and the Transaction Documents). As a result, the Trustee is subject to all the risks to which the Group and its business are subject, as described below, to the extent such risks could limit PNCI's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents to which it is a party.

Recourse to the Trustee in respect of the Trust Certificates is limited to the Trust Assets (see further "*Risk Factors – Risk Factors Relating to the Trust Certificates – The Trust Certificates are limited recourse obligations*").

Risk Factors Relating to the Group's Business

All of the Group's completed and under development property portfolio is located in Dubai and the Group's financial performance is therefore dependent on economic and political conditions in Dubai, the UAE and the surrounding regions

All of the Group's completed and under development projects as well as its land bank are located in Dubai. Consequently, the Group's business, results of operations and financial condition could be adversely affected by changes in economic, political or social conditions in Dubai, the UAE and the surrounding regions. The UAE, as well as many of the GCC countries from which the Group sources its customers, depend in particular on revenue from oil and oil products, the prices of which were materially adversely affected in 2020 and 2021 and have generally been volatile historically, with current pricing levels well below historic highs (see further "*Risk Factors – Risk Factors Relating to the UAE, the MENA Region and Emerging Markets – The GCC economies are dependent on the price of oil, which has been volatile*"). In addition, the economies of Dubai and the UAE are heavily dependent upon expatriate workers, who have also historically constituted a significant portion of the Group's customers.

Economic conditions in Dubai, the UAE and the surrounding regions could also be affected by one-off factors. For instance, the macroeconomic environment (both globally and within the UAE) was materially adversely affected in 2020 by the novel coronavirus disease, COVID-19, which was first identified in China in late 2019. The virus spread rapidly, infecting people and causing a substantial number of deaths around the world leading the World Health Organisation to declare the outbreak a global pandemic on 11 March 2020. The measures aimed at mitigating the further spread of the COVID-19 pandemic, such as restrictions on travel, imposition of quarantines, prolonged closures of stores and workplaces, social distancing measures and other restrictions, had a significant adverse effect on the global economy and international financial markets. The COVID-19 pandemic and such related restrictions materially adversely effected the economies of Dubai and the UAE in general and the real estate sector in particular. According to the IMF, the UAE's real gross domestic product ("**GDP**") declined by 5.0 per cent. in 2020. According to the DLD, in the year ended 31 December 2020, sales of apartments, villas and commercial properties decreased by 12.2 per cent., 6.7 per cent. and 27.8 per cent., respectively, as compared with the year ended 31 December 2019, which, in turn, resulted in decrease of average real estate prices in Dubai and lower expected sales rates and sales prices. The pandemic also impacted Dubai as a tourist and business destination. According to Dubai's Department of Economy and Tourism, Dubai encountered a drastic decrease of international visitors from 16.73 million in 2019 to 7.28 million in 2021. In addition, the COVID-19-related lockdown imposed in April and May 2020 resulted in an immediate shift to working from home, slowing site activity due to the inability of contractor teams to move between emirates and obstructions in the supply chain for building materials, which, in turn, negatively impacted the completion pace of the Group's projects.

The UAE and many other countries have re-opened and gradually lifted COVID-19 related restrictions and growth has slightly recovered, with real GDP growth of 3.9 per cent. in 2021 and 7.4 per cent. in 2022 and is expected to increase by 3.5 per cent. in 2023 (*source*: IMF World Economic Outlook April 2023). However, there can be no assurance that economic growth or performance in Dubai or the UAE, in general, will be sustained. Similarly, although Dubai recorded 14.36 million international visitors in 2022 (*source*: Dubai's Department of Economy and Tourism) and the tourism industry in Dubai has been recovering, there can be no assurance that the trend of recovery in tourism industry will be sustained.

A downturn in general economic conditions, rising cost of living in Dubai, loss of jobs, a decline in the expansion of the expatriate population in the region, new more transmissible and/or virulent variants of COVID-19 that result in restrictive measures, stricter visa regulations or other factors that result in a decline in business activities and a decrease in household income resulting in lower consumer spending and may impact the desirability of Dubai as a tourist, business or residential destination. This may result in a significant decrease in demand in Dubai's property sector, delays in completion and/or a decrease in the valuation of the Group's projects which, in turn, may have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The property and construction markets in the UAE may also be affected by other macroeconomic factors that are beyond the Group's control and impact the real estate market conditions generally as well as the wealth of the Group's customers, such as prices of raw materials for construction, energy costs, consumer spending and deployment of disposable income, alternative investment opportunities and returns, interest/profit rates, inflation rates, real estate taxes, and the availability and cost of financing including mortgages (see also "*Risk Factors – Risk Factors Relating to the UAE, the MENA Region and Emerging Markets*").

There can be no assurance that the current demand and pricing levels for real estate will persist. If the economies of Dubai or the UAE suffer another decline, or if government intervention fails to support or otherwise restricts or limits the economic growth of the expatriate or general real estate investment community in Dubai or the UAE, the Group's business, financial condition and results of operations could be materially adversely affected and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The concentration of the Group's property portfolio exposes it to fluctuations in demand for residential real estate in Dubai and the UAE

All of the Group's developed property and property under development is residential and located in Dubai. As an increasing number of real estate developments are launched and reach completion in Dubai and the UAE, the number of residential properties available in these markets may exceed the demand for such properties, leading to saturation. If the property market were to become saturated, or demand for residential properties were to decline or to be lower than expected, the Group might have to sell its properties at reduced prices, or at a loss, or may not be able to sell them at all. In addition, a significant portion of the Group's customers purchase properties as investments, generally with a view to selling them for profit or leasing them for rental income. Any perceived or actual oversupply of residential properties in Dubai and/or the UAE for sale may result in potential customers experiencing difficulty selling properties purchased from the Group, either for an expected profit or at all, and may cause rental rates to decline. This could result in a decrease in demand for the Group's properties from customers who expect to receive revenue from the part- or full-time rental of their properties. The foregoing factors may also affect the Group's sales backlog (determined as the value of units that have been sold but not yet recognised as revenue under IFRS) since there can be no assurance that the Group's sales backlog will be realised. As at 31 March 2023, the Group's sales backlog was AED 8,646 million.

Any adverse change in demand for residential units in Dubai and/or the UAE for the foregoing reasons or otherwise could have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The continued success of the Group's business is dependent in part upon the wealth of domestic and international property purchasers and investors

The Group's business is highly dependent on levels of disposable income and disposable capital of high net worth and other affluent individuals and investors in the UAE and in various international jurisdictions, including from China, India and certain GCC countries (see also "*Description of the Group's Business – Customers*"). Since many of these individuals and investors operate in the global financial markets, their levels of wealth depend, to some extent, on the performance of the international property, financial and consumer markets. In addition, the disposable income levels of such individuals and investors are affected by factors in their home countries, such as the availability to them of financing and mortgages as well as general interest/profit rates, inflation and tax rates. For instance, as set out above, the COVID-19 pandemic had a material adverse effect on levels of disposable income and wealth of individuals world-wide and therefore also on demand for properties in the Dubai market. The Group expects that demand for its properties will continue to depend, to some extent, on the condition of the global markets. Accordingly, any financial crises or economic downturns in such jurisdictions or internationally could have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The Group faces competition in property development

The Group faces competition for the development of real estate from numerous other property developers operating in the UAE (see also "*Description of the Group's Business – Competition*"). Competition may affect the Group's ability to sell the residential units in its projects at expected prices, if at all. The Group's competitors may lower their pricing for comparable developments, which could result in downward pricing pressure. In addition, certain of the Group's competitors are supported in differing degrees by the governments of various emirates in the UAE. The Group also faces the risk that competitors may anticipate and capitalise on certain potential investment opportunities in advance of the Group doing so. Increased competition may also increase the Group's costs of financing and/or materials as well as adversely impact the Group's access to land at attractive prices, or at all. Many of the Group's competitors have greater financial, technical, marketing or other resources, including in some cases significant land banks, and greater geographical diversity in their operations and, therefore, may be able to withstand increased costs, price competition and volatility more successfully. Property developers may also consolidate to achieve economies of scale. If consolidation in the UAE real estate markets were to occur, there is a risk that the Group would have to operate in a more competitive marketplace and against larger competitors.

The Group may also face challenges in managing its growth and establishing a strong position in the Dubai and UAE residential real estate markets. While the Group's projects cover a wide range of residential property options, including villas, townhouses and apartments, with a variety of community amenities, there can be no assurance that they will remain attractive to prospective customers. In particular, the attractiveness of the Group's communities to prospective purchasers could decrease due to the existence of better facilities elsewhere in Dubai and/or the UAE.

Any oversupply or increase in competition in the Group's market could have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The Group may not be able to manage its growth

With construction on its first project having commenced in the fourth quarter of 2013, the Group had completed and fully sold 10 projects and had another 13 projects under development as at 31 March 2023. These projects under development are expected to be completed between the second quarter of 2023 and the second quarter of 2027.

Management of such projected growth in operations requires, among other things, the Group's continued application of stringent control over financial systems and operations, the continued development of management controls, the hiring and training of new personnel and continued access to funds to finance the growth. It also may increase costs, including the cost of recruiting, training and retaining a sufficient number of professionals and the cost of compliance arising from exposure to additional activities and jurisdictions. These challenges will increase as the Group launches additional projects in the future. As the Group expands its operations, it may also become subject to legal uncertainties or regulations to which it is not currently subject or from which it is currently exempt, which may lead to greater exposure to risk or higher compliance costs. There can be no assurance that the Group's existing systems and resources will be adequate to support the growth of its operations. If the Group is unable to manage its growth adequately, this could have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The Group is exposed to the risk of customers defaulting on their purchase price instalments

The Group begins selling its projects when they are still "off-plan" or in the early stages of construction. Upon buying a residential unit, the customer contractually agrees to pay the Group the purchase price in instalments on a pre-agreed payment schedule. The cash deposits and subsequent purchase price instalments are used to fund construction of the project. If, due to poor economic conditions, declines in property values or otherwise, a significant portion of customers were to default on paying their subsequent instalments at any particular stage in the construction of a project, the Group would be required to rely on local laws and regulations to seek to recover monies owed, which can be a costly and time consuming process. If the Group is unsuccessful, and is unable to obtain the relevant funds, the Group may be required to forgo other property development opportunities and/or be forced to postpone or cancel projects, which could have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The Group's business model relies on cash from off-plan sales to substantially fund construction and any significant decrease in the level of these sales could lead to the delay in completion or cancellation of projects

The Group finances its projects, which require a significant amount of capital expenditure at the start of the construction process, principally through borrowings/financing facilities and internally generated cash flows that result primarily from the pre-sale of residential units at the under-construction stage. The Group may also require financing to fund land acquisitions, initial project development costs and capital expenditures and to support the ongoing development and future growth of its project portfolio.

The Group may not have sufficient capital to undertake future land acquisitions and other investments that it may deem necessary or desirable. Where pre-sales of residential units in a particular project are insufficient to fund its completion, the Group may have to seek external financing. The Group's ability to obtain external financing and the cost of such financing are dependent on numerous factors and there can be no assurance that additional financing, either on a short-term or long-term basis, will be available or, if available, that the Group will be able to obtain such financing on favourable terms (see further "*Risk Factors – Risk Factors Relating to the Group's Business – The Group has significant capital expenditure commitments and is likely to continue to have material funding requirements and the availability of financing to the Group may be limited*"). The Group may also be required to provide security over its assets to obtain any such financing and/or agree to contractual limitations on the operations of its business. An inability to obtain additional financing on terms favourable to the Group or at all could result in defaults on existing contracts, construction delays and damage to the Group's reputation as a reliable contractual counterparty, which, in turn, could have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The Group's projects may be delayed, suspended, terminated or materially changed in scope, resulting in delayed recognition of revenue and damage to its reputation

There are a number of construction, financing, operating and other risks associated with property development. Due to their extensive nature, the Group's projects require considerable capital expenditure during the initial phases. The Group recognises revenue from its projects on the basis of the percentage of completion of the construction process. Payments by its customers are also tied to construction milestones. Material delays in the construction process will, consequently, delay payments due from customers, as well as the revenue the Group is able to recognise. While the Group experiences construction delays in the ordinary course of business and, save in the case of the delays caused by COVID-19, such delays have generally been made up in subsequent stages of a project, delays can have a significant impact on the associated timing of revenue recognition, which could lead to potentially significant fluctuations in the Group's financial results. This is particularly true with respect to high value projects where even a small delay in construction progress can result in delays in large amounts of revenue being recognised. The time taken and the costs involved to complete construction can be adversely affected by many factors, including:

- delays in obtaining all, or refusals of any, necessary zoning, land use, building, development, occupancy and other required governmental permits, licences, approvals and authorisations (including due to new regulatory frameworks);

- unforeseen engineering, environmental or geological problems;

- the Group's inability to obtain necessary financing arrangements on acceptable terms, or at all, and otherwise fund construction and capital improvements and provide any necessary performance guarantees;

- inadequate supporting infrastructure, including as a result of failure by third parties to provide utilities and transportation and other links that are necessary or desirable for the successful operation of a project;

- design or construction defects and otherwise failing to complete projects according to design specification;

- shortages of, or defective, materials and/or equipment, labour shortages, shortages of other necessary supplies and/or disputes with suppliers;

- increases in the cost of construction materials (for example, raw materials such as steel and other commodities common in the construction industry (the cost of which increased during the COVID-19 pandemic as a result of logistical issues being experienced worldwide)), energy (the cost of which has also increased recently), building equipment (including, in particular, cranes), labour and/or other necessary supplies (due to rising commodity prices or inflation or otherwise);

- shortages of project managers and construction specialists to ensure that planned projects are delivered both on time and on budget;

- strikes and work stoppages or other labour disputes or disturbances affecting the Group's projects;

- failure to meet agreed timetables, in particular with respect to more complex or technically challenging developments (for example, due to the scale, height or complex design of a development);

- adverse weather conditions, natural disasters, pandemics (such as COVID-19), accidents, *force majeure* events and/or changes in governmental priorities;

- increases in the supply of properties from competitors; and

- changes in demand trends due to, among other things, a shift in buyer preferences, a downturn in the economy, a change in the surrounding environment of the project, including the location or operation of transportation hubs or population density or otherwise.

Any of these factors could give rise to delays in the completion of construction and/or result in construction costs exceeding budgeted amounts. Projects subject to delays or cost overruns may take longer or fail to generate the revenue, cash flow and profit margins that were originally anticipated. In addition, the targeted return on the investment in the project may not be realised. There can be no assurance that the revenue that the Group is able to generate from its projects will be sufficient to cover the associated construction costs.

Moreover, the Group's business model is based on selling a significant number of its residential units off-plan. If a project with pre-sale commitments from customers is delayed or cancelled, customers may bring civil claims against the Group. Even where customers have no contractual right to terminate their contract with the Group and/or to demand repayment of monies paid, a customer may seek to claim reimbursement from the Group together with interest if the Group fails to deliver a residential unit. In addition, the Group's projects comprise master planned communities, which contain amenities and conveniences such as retail areas, supermarkets and parks. If substantial parts of these amenities are delayed, cancelled or changed, customers who have acquired residential units in affected developments may not be able to enjoy the services or the overall environment which they may have expected when the project was originally launched. Delays in completion or cancellation of all or a portion of a project could also adversely affect the Group's reputation and ability to attract future customers. Furthermore, any difference in the quality of construction from project to project could adversely affect the Group's brand. If a significant number of customers encounter workmanship or structural defects and these are not rectified in a timely and satisfactory manner, the Group's reputation may be adversely affected.

Any of the foregoing factors could have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The Group has experienced and may continue to experience contract prices that exceed its original budgets which may affect the profitability of its developments

PNCI's fixed-price contract with Sobha Construction LLC sets out the specific scope of work to be completed, the timeline for completion, and the agreed-upon cost in respect of the Group's projects (see further "*Description of the Group's Business – Project Implementation Process*"). However, external factors such as inflationary pressure and raw material scarcity can potentially disrupt the project's progress and timeline despite such a fixed-price contract.

There have been significant increases in commodity and other prices driven by both supply chain disruptions caused by the COVID-19 pandemic and increased international uncertainty driven by Russia's invasion of Ukraine in February 2022. For example, freight costs continue to increase which has driven up the prices of imported materials and equipment, higher gas supply and other raw material prices have resulted in increased prices of finished materials, a limited number of precast contractors has resulted in higher prices for precast elements and copper and steel prices continue to rise which is driving up the price of related construction materials and finished equipment. Particularly if prices remain high for an extended time and the Group is unable to pass on these increases in full to its customers, this is likely to adversely affect the Group's profitability and margins in future periods. In addition, should one of the Group's suppliers default on its procurement arrangements with the Group for any reason, the Group may not be able to find suitable substitutes promptly, on similar terms or at all, causing a delay in the completion of the relevant projects. Any of the foregoing factors could have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The Group's projects may be subject to delays due to labour shortage or disputes

The Group's projects may be impacted by strikes and work stoppages by its contracted workers. The workers engaged for the construction of the Group's projects are predominantly sourced from countries outside of the UAE using recruitment agencies. In recent years, the policies and practices with respect to the recruitment, compensation and treatment of construction workers in the UAE and other GCC countries has come under increased scrutiny. While the Group seeks to impose standards for the compliance with all relevant laws and regulations, the Group's relations with its contracted workers could deteriorate due to disputes related to the level of wages, accommodation or benefits or their response to changes in government regulation of workers and the workplace. In addition, changes in regulations such as more restrictive visa requirements or immigration laws relating to the employment of unskilled labour could lead to a shortage of contracted workers available to the Group. Any such labour shortage or stoppage or dispute may adversely affect the Group's ability to complete its projects on time as well as its brand and reputation and could have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The Group's projects may be subject to delays due to utility and road infrastructure providers' inability to provide required services and connections to its developments within project delivery times

Access to certain of the Group's projects is dependent on the completion of connecting infrastructure, such as roads and utilities for which third party government utilities and agencies are responsible. There can be no assurance that material delays in delivering the Group's projects will not occur as a result of delays in the connection of infrastructure. For example, across the UAE, the demand for electricity, water and gas has increased substantially in the past decade and may continue to increase in the future if the development and population of the UAE continues to expand. The Group's current projects may be delayed and future projects may be hindered due to the inability of utility providers to provide the required levels of water and power generation and connections for these utilities in a timely manner. Any delays in the Group's projects, even when outside the Group's control, may adversely affect the Group's brand and reputation, as well as increase the costs associated with affected projects, and could have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The Group's projects could be exposed to catastrophic events or acts of terrorism over which it has no control

The Group's projects could be adversely affected or disrupted by natural disasters (such as earthquakes, floods, tsunamis, hurricanes and fires) or other catastrophic events, including:

- changes to predominant natural weather, hydrologic and climatic patterns, including sea levels;
- major accidents, including chemical, radioactive or other material environmental contamination;
- major epidemics or pandemics affecting the health of persons in the MENA region and travel into the MENA region;
- fires resulting from faulty construction materials; and/or
- criminal acts or acts of terrorism.

The occurrence of any of these events at one or more of the Group's projects, or projects in the UAE or MENA region more generally, may cause disruptions to the Group's operations, which could have a material adverse effect on its business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party. In addition, such an occurrence may increase the costs associated with the Group's projects, may subject the Group to liability or impact its brand and reputation and may otherwise hinder the normal operation of the Group's projects. The effect of any of these events on the Group's financial condition and results of operations may be exacerbated to the extent that any such event involves risks for which the Group is uninsured or not fully insured (see further "*Risk Factors – Risk Factors Relating to the Group's Business – The Group may not have adequate insurance to cover potential losses*").

The Group has significant capital expenditure commitments and is likely to continue to have material funding requirements and the availability of financing to the Group may be limited

The Group has incurred, and anticipates that it will in the future, continue to incur, significant capital expenditure and that it may have material funding needs in relation to particular projects or to refinance existing indebtedness. The Group intends to fund its future capital expenditures and its financial obligations (including PNCI's obligations to pay amounts due under the Transaction Documents to which it is a party) principally through operating cash flows, borrowings/financing facilities from third parties (including by way of the issue of the Trust Certificates, through project financing and using committed bank funding lines) and asset sales (principally developed residential units). The availability of operating cash flow to the Group may, in certain cases, be limited (see further "*Risk Factors – Risk Factors Relating to the Group's Business – The terms of the Group's current and any future financings may restrict it from entering into certain transactions and/or limit its ability to respond to changing market conditions*").

The Group's ability to obtain external financing and the cost of such financing are dependent on numerous factors including general economic and market conditions, international interest/profit rates, credit availability from banks or other lenders/financiers, regulatory or central bank policy changes, investor confidence in the Group and the success of its business. There can be no assurance that external financing, either on a short-term or long-term basis and whether to fund new projects or to repay existing financing, will be available or, if available, that such financing will be obtainable on terms that are not onerous to the Group.

In the event that appropriate sources of financing are not available or are only available on onerous terms and the Group does not have sufficient operating cash flow or cash generated from asset sales, this could adversely affect the Group's business through increased borrowing/financing costs and reductions in capital expenditure. In addition, the Group may be forced, amongst other measures, to do one or more of the following:

- delay or reduce capital expenditures;
- forego business opportunities, including new projects and joint ventures;
- sell assets on less than optimal terms; or
- restructure or refinance all or a portion of its debt on or before maturity.

Any such event, or combination of such events, could have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The terms of the Group's current and any future financings may restrict it from entering into certain transactions and/or limit its ability to respond to changing market conditions

The Group's current financing arrangements contain various covenants that limit its ability to engage in specified types of transactions, including, among other things, its ability to incur or guarantee additional financial indebtedness and/or grant security or create any security interests, in addition to maintaining certain financial ratios. These provisions may restrict the Group's ability to respond to adverse economic conditions, which could have a material adverse effect on its business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

If the Group fails to satisfy any of its debt service obligations or breaches any related financial or operating covenants, the lender/financier could declare the full amount of the indebtedness to be immediately due and payable and could foreclose on any assets pledged as collateral. As a result, any default under any indebtedness to which the Group is party could result in a substantial loss to the Group.

Furthermore, if the Group obtains additional funding in the future, such funding will increase its leverage and could thereby limit its ability to raise further funding or react to changes in the economy or the markets in which the Group operates and/or could prevent the Group from meeting its debt obligations. Additionally, incurring further debt could also, among other things:

- increase the Group's vulnerability to general economic and industry conditions;
- increase the risk that the Group may be unable to pay the interest, profit payments or principal on any outstanding obligations;
- require the Group to provide additional security over certain of its assets;
- require a substantial portion of cash flow from operations to be dedicated to the payment of financing costs and repayment of principal on the Group's indebtedness, thereby reducing its ability to use its cash flow to fund its operations, capital expenditures and future business opportunities;
- restrict the Group from making strategic acquisitions or cause it to make non-strategic divestitures;

- limit the Group's ability to obtain additional financing for working capital, capital expenditures, project development, debt service requirements, acquisitions and general corporate or other purposes; and

- limit the Group's ability to adjust to changing market conditions and place it at a competitive disadvantage compared to its competitors who are less highly leveraged.

Any of the foregoing consequences could have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The Group could be adversely affected by market risks

The Group could be adversely affected by market risks that are outside its control, including, without limitation, volatility in the benchmark interest/profit rates. An increase in the benchmark interest/profit rates generally may also adversely affect the Group's cash flows by adversely impacting its profit margins and its funding costs. Interest/profit rates may also impact the attractiveness of real estate as an investment opportunity. For instance, if interest/profit rates increase materially, investment in real estate may become less appealing as an alternative to traditional financial investment products and could also deter potential customers from seeking mortgage financing to purchase the Group's properties, which could have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

All of the above risks may be further exacerbated by the persisting global macroeconomic challenges, including increased benchmark interest/profit rates. The U.S. Federal Reserve raised U.S. overnight interest rates by 25 basis points in March 2022, 50 basis points in May 2022, 75 basis points in each of June 2022, July 2022, September 2022 and November 2022, 50 basis points in December 2022, 25 basis points in February 2023, 25 basis points in March 2023 and 25 basis points in May 2023. In line with such increase, the UAE Central Bank raised the base rate on the overnight deposit facility by 25 basis points in March 2022, 50 basis points in May 2022, 75 basis points in each of June 2022, July 2022, September 2022 and November 2022, 50 basis points in December 2022 and 25 basis points in each of February 2023, March 2023 and May 2023.

Accordingly, aggressive or unexpected monetary policy tightening by the U.S. Federal Reserve could shock the markets, adversely affecting asset prices and ultimately economic growth. Furthermore, many of the world's economies are experiencing elevated inflation, which is expected to remain as such for longer than previously forecast. According to the IMF, global inflation is projected at 6.6 per cent. in 2023. However, as with the growth outlook, considerable uncertainty surrounds these inflation projections. Various factors have contributed to shaping inflation outlook, including the Russia-Ukraine conflict, which caused increases to energy prices and food prices (due to disruptions in the supply of commodities such as wheat, corn and fertilisers). In addition, while demand grew rapidly in 2021, various bottlenecks held back supply, including factory closures due to the COVID-19 pandemic, restrictions at ports, congested shipping lanes, container shortfalls and worker shortages because of quarantines. Although supply bottlenecks are generally anticipated to ease as production responds to higher prices, the Russia-Ukraine conflict and widespread sanctions on Russian persons, entities and institutions are likely to prolong disruptions in some sectors through 2023. Prolonged inflation could affect the wider global economy (by, for example, causing prompt broad-based selling in long-duration, fixed-rate debt, which could have negative implications for real estate markets) and the disposable income of the Group's customers, which, in turn, could have an adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The due diligence process that the Group undertakes in connection with new projects may not reveal all relevant facts

Before implementing a new project, the Group conducts due diligence to the extent it deems reasonable and appropriate based on the applicable facts and circumstances (see further "*Description of the Group's Business – Project Implementation Process*"). The objective of the due diligence process is to identify attractive investment opportunities and to prepare a framework that may be used from the date of investment to drive operational performance and value creation. When conducting due diligence, the Group evaluates a number of important business, financial, tax, accounting, regulatory, environmental and legal issues in determining whether or not to proceed with a project. Outside consultants, including legal advisers, accountants, investment banks and industry experts, are generally involved in the due diligence process in varying degrees depending on the type of project or investment. Nevertheless, when conducting due diligence and making an assessment regarding a project, the Group can only rely on resources available to it, including, in some circumstances, third party investigations. In some cases, information cannot be verified by reference to the underlying sources to the same extent as the Group could for information produced from its own internal sources. The due diligence process may at times be subjective and the Group can offer no assurance that any due diligence investigation it carries out with respect to any project will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such opportunity. Any failure by the Group to identify relevant facts through the due diligence process may mean that projected rates of return and other relevant factors considered by the Group in making investment decisions prove to be significantly inaccurate over time. Any such inaccuracy could have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The success of the Group's business depends on its ability to locate and acquire land suitable for development at attractive prices as well as certainty in legal status of such land

The Group's growth and profitability have been attributable in part to the Group's ability to locate and acquire land in prime locations at attractive prices and on favourable terms and conditions. Nearly all of the Group's developments in Dubai are located on land that has been designated by the Government of Dubai (the "**Government**") as land which can be acquired and owned by non-UAE nationals. All title in property in Dubai emanates from the Government. The principal source of land for the Group's developments in Dubai is land owned by Government-linked master developers and the success of the Group's business strategy and its future profitability will depend upon it being able to acquire land in prime locations and at attractive prices from such Government-linked master developers. The Group's long-term growth also depends on, among other things, its ability to maintain its level of development in Dubai while also locating and acquiring land suitable for development in other parts of the UAE. The Group may not be able to identify suitable sites for new projects or negotiate attractive terms for such acquisitions or developments from Government-linked master developers, the Government or property owners in other parts of the UAE. The number of attractive expansion opportunities may be limited and such opportunities may command high prices. In addition, the Group may be unable to enter into strategic partnerships with other governments and local companies in other parts of the UAE that may be necessary to source land in prime locations.

If the Group fails to acquire additional land suitable for development in prime locations, the Group may not be able to develop new projects in accordance with the Group's business strategy. Paying higher prices for land in the future could adversely affect the profitability of the Group's business. In addition, any adverse change in any of the relationships between the Group and the Government, any Government-linked master developers or any of the Group's strategic partners in the UAE may affect its ability to acquire land or the prices the Group pays for such land. Any inability to obtain additional suitable land for development in the future on commercially viable terms and prices could result in a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

In addition, pursuant to the Dubai Real Estate Law of 2006, any transfer of interest in real estate which is not specified in either Article 3 or Article 4 of Regulation No. 3 of 2006 Specifying Areas where non-locals can own Property in Dubai ("**Regulation No. 3 of 2006**") to non-UAE nationals is not permitted. Some of the Group's developments (including The S) are located on land plots which are not specified in Regulation No. 3 of 2006. While the Group received a confirmation from the DLD that, notwithstanding the lack of such designation, transfers to non-UAE nationals of units located on such land plots are permitted (and the DLD has in the past issued and continues to issue title deeds with respect to such units to non-UAE nationals), there can be no assurance that the DLD position will not change and therefore there remains a residual uncertainty as to whether units in the such Group projects were validly sold or may continue to be validly sold to non-UAE nationals.

Real estate valuation is inherently subjective

The Group holds properties as investment properties (which are properties held for capital appreciation and land held for undetermined use), properties under development (which are properties under construction for sale) and properties held for sale. Investment properties are initially recognised at cost and, subsequently, accounted for at their fair value which is their open market value or, where such market value is not readily available, their value ascribed by an independent professional valuer. Properties under development and properties held for sale are stated at the lower of their cost or net realisable value, where 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 complete the sale. Accordingly, the Group's property valuations are based on assumptions as to their fair value, market value, cost and/or net realisable value (as applicable) which are not confirmed or investigated by the valuer or any other third party. The judgement of the Group's management and its valuers significantly impacts the determination of the value of its properties. Moreover, factors such as changes in regulatory requirements and applicable laws (including in relation to building and environmental regulations, taxation and planning), political conditions, the condition of financial markets and real estate markets, the financial condition of customers, potential adverse tax consequences, and interest and inflation rate fluctuations all mean that valuations are subject to further uncertainty. Therefore, the Group's property valuations are subjective and any valuations of the Group's properties stated in this Offering Circular are subject to substantial uncertainty and are made on the basis of assumptions which may not be correct. Any valuations of the Group's properties stated in this Offering Circular may exceed the value that could be obtained in connection with a concurrent sale of the properties and no assurance can be made that the valuations of the Group's properties will reflect actual sale prices, even where any such sale occurs shortly after the relevant valuation date. Neither should the valuations be taken as an indication of the availability of financing for the potential sale of any of the Group's properties or an indication of continuing demand for any of its properties. Significant differences between valuations and actual sales prices could have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

In addition, a key component of determining the value of a property is based on the assessment by management and the valuer of real estate market conditions in Dubai. The Dubai real estate market is in turn affected by many factors such as general economic conditions, availability of financing, interest/profit rates and other factors, including supply and demand, which are beyond the Group's control and may adversely impact projects after their most recent valuation date. As a result, any material decline in the real estate market in Dubai could have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

Real estate investments are illiquid

Because real estate investments are generally illiquid, and due to the cyclicality of real estate markets, the Group's ability to promptly sell one or more of its projects in response to changing political, economic, financial and investment conditions is limited. The real estate market is affected by many factors that are beyond the Group's control. In addition, to the extent that the Group requires third party funding to develop its projects, the Group may be required to grant a mortgage over certain projects, or parts thereof, to secure its payment obligations, which could preclude the Group from selling such projects or affected residential units in the event of a default under such financing arrangements. There can be no assurance that the sale of units in any of the Group's projects will be at a price which reflects the most recent valuation of the relevant project, particularly if the Group is forced to sell in adverse economic conditions. Any of these factors, alone or in combination, could have a material adverse effect on the Group's real estate portfolio, which could in turn have a material adverse effect on its business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

PNCI's investment in Sobha Limited, India may expose the Group to additional risks

As at the date of this Offering Circular, the Group has a significant minority investment in Sobha Limited, India, which, however, it is in the process of considering whether it should be transferred back to the Menon family (see further "*Financial Review – Recent Developments*"). Investments in operating companies in which there are significant minority interests are subject to the risk that the other shareholders of such companies may have different business or investment objectives, may have the ability to affect business, financial or management decisions crucial to the success of the relevant company, or may seek to implement initiatives which may be contrary to the Group's interests. Furthermore, PNCI's investment in Sobha Limited, India is subject to fluctuations in equity prices and foreign exchange rates (see further "*Risk Factors – Risk Factors Relating to the UAE, the MENA Region and Emerging Markets – Foreign exchange policy, inflation and exchange rates may adversely affect the Group*"). Any significant decrease in the fair value of PNCI's investment in Sobha Limited, India could have a negative impact on PNCI's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

PNCI is beneficially owned by one family whose interest could conflict with the Certificateholders

PNCI is controlled by the Menon family who, as of 31 March 2023, held all of PNCI's outstanding share capital. This gives the Menon family control over certain actions requiring shareholder approval, including, but not limited to, increasing or decreasing the authorised share capital of PNCI, the election of directors, declaration and payment of dividends, the appointment of management and other policy decisions. While transactions with the Menon family and its affiliates (including the Related Companies (as defined below)) may benefit PNCI, conflicts of interest could arise between PNCI and the Menon family or its affiliates. Any such conflict of interest could have a negative impact on PNCI's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The Group relies on its senior management team and key employees

The Group relies on its senior management (the "**Executive Leadership Team**") and key employees for the implementation of its strategy and its day-to-day operations. The Group's continued success will depend on its ability to continue to retain and attract appropriately qualified personnel, including those with the relevant technical expertise in the real estate development sector, to operate its business. Competition for appropriately qualified technical, marketing and support personnel with the relevant expertise in the property development sector in the UAE is intense, and there can be no assurance that the Group will continue to be able to successfully recruit such personnel. Should the Group experience the loss of one or more of its key members of management or staff and be unable to replace them in a timely fashion (or at all) with other appropriately qualified and experienced individuals, this may result in (among other things):

- a loss of organisational focus;
- poor execution of operations and the Group's corporate strategy; and/or
- an inability to identify and execute potential strategic initiatives such as future projects.

These adverse results could, among other things, reduce potential revenue, expose the Group to downturns in the markets in which it operates and/or otherwise adversely affect the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The Group is required to maintain and renew numerous licences and permits to operate

The Group's operations are required to comply with numerous laws and regulations, both at the emirate and federal level, and require the maintenance and renewal of commercial licences and permits to conduct its business from the launch of a master plan, through construction to sales and marketing. Because of the complexities involved in procuring and maintaining numerous licences and permits, as well as in ensuring continued compliance with different and sometimes inconsistent emirate and federal licensing regimes, the Group cannot give any assurance that it will at all times be in compliance with all of the requirements imposed on each of its projects, although the Group is not aware of any material breaches that currently exist. The Group's potential failure to comply with applicable laws and regulations or to obtain and maintain requisite approvals, certifications, permits and licences, whether intentional or unintentional, could lead to substantial sanctions, including criminal, civil or administrative penalties, revocation of the Group's licences and/or increased regulatory scrutiny, and liability for damages. It could also result in contracts to which the Group is a party being deemed to be unenforceable or invalidate or increase the cost of the insurance that the Group maintains for its project portfolio. For the most serious violations, the Group could also be forced to suspend operations until it obtains the required approvals, certifications, permits or licences or otherwise bring its operations into compliance. In addition, any adverse publicity resulting from any compliance failure, particularly as regards the safety of projects, could negatively impact the Group's reputation and have a material adverse effect on its business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

Furthermore, changes to existing, or the introduction of new laws, regulations or licensing requirements are beyond the Group's control and may be influenced by political or commercial considerations not aligned with the Group's interests. Any such laws, regulations or licensing requirements could adversely affect the Group's business by reducing its revenue and/or increasing its operating costs, and the Group may be unable to mitigate the impact of such changes. Any of these occurrences could have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The Group may incur unanticipated costs related to compliance with health and safety and environmental laws and regulations

The Group has adopted safety standards to comply with applicable laws and regulations. If the Group fails to comply with the relevant standards, it may be liable for penalties and the Group's business and/or reputation might be materially and adversely affected.

In addition, the Group seeks to ensure that it complies with all applicable environmental, health and safety laws. While PNCI believes that the Group is in material compliance with such laws, there can be no assurance that it will not be subject to potential liability, including remediation obligations with respect to contaminated project sites or liability in the event of an accident at one of its projects. If an environmental liability arises in relation to, or an accident occurs at, any project owned or developed by the Group and it is not remedied, is not capable of being remedied or is required to be remedied at the Group's cost, this may have a material adverse effect on the relevant project, the Group's reputation and its business, financial condition and results of operations (either because of the cost implications for the Group or because of disruption to services provided at the relevant project) and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party. Moreover, it may result in a reduction of the value of the relevant project or affect the Group's ability to dispose of residential units in such project.

Amendments to existing laws and regulations relating to health and safety standards and the environment may impose more onerous requirements on the Group and subject its developments to more rigorous scrutiny than is currently the case. The Group's compliance with such laws or regulations may necessitate further capital expenditure or subject it to other obligations or liabilities, which could have a material adverse effect on its business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The Group is dependent on its IT systems, which may fail or be subject to disruption

The Group's operations are dependent on its information technology ("**IT**") systems, and there is a risk that these systems could fail. The Group cannot be certain that its IT systems will be able to support the volumes of online traffic it may experience. Although the Group maintains business continuity procedures and security measures in the event of IT failures or disruption, including backup IT systems for business critical systems, these procedures and measures may not anticipate, prevent or mitigate a network failure or disruption and will not protect against an incident to the extent that there is no alternative system or backed-up data in place.

The Group's staff and its IT systems process sensitive personal customer data and therefore must comply with strict data protection and privacy laws. Such laws and regulations restrict the Group's ability to collect and use personal information relating to customers and potential customers including the use of that information for marketing purposes. The Group is also at risk from cyber-crime. Whilst it has implemented procedures to ensure compliance with the relevant data protection regulations and has implemented security measures to help prevent cyber-crime (see further "*Description of the Group's Business – Information Technology*"), the Group remains exposed to the risk that sensitive data is wrongfully appropriated, lost or disclosed in breach of applicable regulation. In such a case, the Group could face liability under data protection laws or sanctions by card merchants. This could also result in the loss of customer goodwill and deter new customers which could materially adversely affect the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The Group may not have adequate insurance to cover potential losses

Although the Group seeks to ensure that its projects are appropriately insured, no assurance can be given that any of its existing insurance policies will be sufficient to cover losses arising from certain events or will be renewed on equivalent, commercially reasonable terms or at all. In addition, given the volatility and complexity of the Group's market, certain types of risks and losses are either uninsurable or uneconomical to insure (for example, among others, risks or losses relating to war, terrorism, geo-political climate, threats to cyber-security, currency fluctuation, general economic crisis and inadequate succession planning). Furthermore, it may be difficult to identify appropriate insurance solutions to cover these risks, given the vast variety and complexity of products offered in the insurance market in recent years.

The Group's properties and business could suffer physical damage from fire or other causes, resulting in losses (including loss of future income) that may not be fully compensated by insurance. If the Group experiences an uninsured or uninsurable loss in the future or if any insurance proceeds which it receives are insufficient to repair or replace a damaged or destroyed property, the Group could incur significant capital expenditure and its business results could be materially adversely affected. The Group may also remain liable for any debt or mortgage, indebtedness or other financial obligations related to the relevant project. Any significant insurance claims in respect of incidents at any of its projects could also result in significantly increased insurance premiums or make the relevant insurance more difficult to obtain.

Where the Group experiences an insured-against event, it cannot be certain that the proceeds of insurance which it receives will fully cover its loss including, for example, in the case where a financing document provides that any insurance proceeds should be used to prepay the lenders/financiers. The Group's insurance policies may be subject to deductibles or exclusions that could materially reduce the amount that it recovers and, in certain circumstances, the policies could be void or voidable at the option of the insurer. In addition, the Group's insurers may become insolvent and therefore not be able to satisfy any claim in full or at all.

The occurrence of any of these events could have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

Any deterioration of the value of the Sobha brand or of any its other brands or infringement of the Group's trademarks and other intellectual property could materially adversely affect its business

The Group relies on brand recognition and the goodwill associated with the Sobha brand and the other brands which it is creating, such as Sobha and Sobha Hartland. Therefore, the name "Sobha" and its associated brand and trading names and trademarks are key to the Group's business. A deterioration of the value of the Sobha brand or of any its other brands, whether due to property related issues, customer complaints, adverse publicity, legal action, third party infringements or other factors in any jurisdiction, including due to common shareholding and/or related entities' use of the "Sobha" brand, could have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

Risk Factors Relating to the UAE, the MENA Region and Emerging Markets

The Group is subject to political and economic conditions in the UAE

All of the Group's operations and assets are located in the UAE. While the UAE has historically not been affected by political instability, there is no assurance that any political, social, economic and market conditions affecting the MENA region generally (as well as outside the MENA region because of interrelationships within the global financial markets) would not have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

Specific risks in the UAE and the MENA region that may have a material impact on the Group's business, results of operations and financial condition include:

- an increase in inflation and the cost of living;
- a devaluation in the dirham or any other currency which has an impact on the Group's business;
- external acts of warfare and civil clashes or other hostilities involving nations in the region;
- governmental actions or interventions, including tariffs, protectionism and subsidies;
- difficulties and delays in obtaining governmental or other approvals, new permits and consents for the Group's operations or renewing existing ones;
- potential lack of transparency or reliability as to title to real property;
- cancellation of contractual rights;
- lack of infrastructure;

- expropriation or nationalisation of assets;
- continued regional and/or global political instability and unrest, including government or military regime change, riots or other forms of civil disturbance or violence, including through acts of terrorism which could adversely affect the UAE economy (see further "*Risk Factors – Risk Factors Relating to the UAE, the MENA Region and Emerging Markets – Continued political and economic instability and unrest globally could adversely affect the Group's business*");
- military strikes or the outbreak of war or other hostilities involving nations in the region;
- a material curtailment of the industrial and economic infrastructure development that is currently underway across the MENA region;
- increased government regulations, or adverse governmental activities, with respect to price, import and export controls, the environment, customs and immigration, capital transfers, foreign exchange and currency controls, labour policies, land and water use and foreign ownership;
- changing tax regimes, including the imposition of taxes in currently tax favourable jurisdictions, including the UAE;
- arbitrary, inconsistent or unlawful government action, including capricious application of tax laws and selective tax audits;
- limited availability of capital or debt financing; and
- slowing regional and global economic environment.

Any unexpected changes in the political, social, economic or other conditions in the UAE or its neighbouring countries may have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party. It is not possible to predict the occurrence of events or circumstances such as or similar to those outlined above or the impact of such occurrences and no assurance can be given that the Group would be able to sustain its current profit levels if such events or circumstances were to occur.

Investors should also be aware that emerging markets are subject to greater risks than more developed markets, including in some cases significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in developing markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved.

The GCC economies are dependent on the price of oil, which has been volatile

The UAE economy as a whole, and the economies of other countries in the GCC, are exposed to oil price volatility and are affected by the level of government spending. Oil represents a sizeable segment of the economies of countries in the GCC, including the UAE, and has contributed to the increase in economic activity in the region, including the demand for properties and property development. Oil prices are highly volatile and extremely sensitive to political and economic turmoil. In addition, the price of oil and its volatility depend on factors including global economic and weather conditions; actions by OPEC; government regulations, both domestic and foreign; price inflation of raw materials; regional conflicts in the oil producing nations; the price of foreign imports of oil and gas; the cost of exploring for, producing, and delivering oil and gas; the discovery rate of new oil and gas reserves; the rate of decline of existing and new oil and gas reserves; the ability of oil and gas companies to raise capital; and the overall supply and demand for oil and gas.

As oil is the most important export of GCC and certain other countries where the Group's customers originate from, any change in oil prices affects various macroeconomic and other indicators, including, but not limited to, GDP, government revenues, balance of payments and foreign trade. International oil prices have been volatile in the past three years, with the monthly OPEC Reference Basket price reaching U.S.$70.78 in April 2019, decreasing sharply to U.S.$17.66 in April 2020 amid the COVID-19 Pandemic and recovering to U.S.$82.11 in October 2021. Monthly average OPEC Reference Basket prices exceeded U.S.$100 for most of 2022 due to greater demand forecasts and geopolitical tensions around the full-scale

Russia-Ukraine conflict which commenced in late February 2022. The monthly price per barrel of Arabian Light Crude Oil has also moved in line with these trends.

OPEC member countries produce approximately 40 per cent. of the world's crude oil (according to the World Economic Forum) and, as such, targets set by OPEC to manage oil production in its member countries can affect oil prices. Historically, the announcement of production cuts by OPEC has led to oil price rises in the short- to medium-term. While efforts have been made by OPEC and non-OPEC oil producing countries participating in the Declaration of Cooperation to control oil price volatility by agreeing staged reductions in oil production since 2020, there can be no assurance that such collaboration will achieve its stated goals or influence oil prices beyond the short-term. Further factors that may affect the price of oil include, but are not limited to:

- regional and global economic and political developments, including the Russia-Ukraine conflict and international response measures;
- maintenance of the sanctions regimes relating to Venezuela and Iran;
- general economic and political developments in oil-producing regions, particularly in the Middle East;
- global and regional supply and demand, and expectations regarding future supply and demand, for oil products;
- the ability of members of OPEC and other crude oil-producing nations to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude oil-producing or consuming countries;
- prices and availability of alternative fuels, global economic and political conditions, prices and availability of new technologies using alternative fuels;
- the impact of pandemics; and
- global weather and environmental conditions.

Should there be a significant decrease in oil prices negatively affecting the economies of the region, this could limit the interest or ability of customers and potential customers who are based in the Middle East to buy the Group's properties.

Any decrease in the rate of growth of the economies in the region could also result in a reduction in investment in infrastructure, which directly affects the value of the Group's properties and the Group's ability to undertake new projects. The slowing of these economies could also negatively affect investment in and demand for the Group's properties, which could result in a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

Continued political and economic instability and unrest globally could adversely affect the Group's business

While the UAE has historically enjoyed significant economic growth and relative political stability, there can be no assurance that such growth or stability will continue. Investors should note that the Group's businesses and financial performance may be affected by the financial, political and general economic conditions prevailing from time to time in the UAE and the MENA region. For example, the economic fallout from the COVID-19 pandemic and the Russia-Ukraine conflict (and the related sanctions imposed on Russian persons, entities and institutions) has had and may continue to have a severe negative impact on the global economy and, in turn, the UAE economy where there has been a slowdown of the high rates of growth previously experienced.

While the UAE is seen as a relatively stable political environment, certain other jurisdictions in the MENA region are not, and there is a risk that regional geopolitical instability could impact the UAE. Instability in the MENA region may result from a number of factors, including government or military regime change, civil unrest or terrorism.

There has also been an escalation of tension between Iran and a number of western governments in 2019, following the United States' withdrawal from the Joint Comprehensive Plan of Action. This escalation includes the attack on a number of oil tankers in the Strait of Hormuz, the seizure of foreign-flagged oil tankers, missile strikes by Iran on United States military bases in Iraq and the decision of Iran to resume uranium enrichment activities. In addition, in January 2020, the United States carried out a military strike which killed Qassem Soleimani, a senior Iranian military commander. As a result of this military strike, Iran launched missiles at U.S. bases in Iraq.

On 17 January 2022, the Houthis, a militant Yemeni movement, claimed responsibility for what the UAE described as a drone and missile attack on Abu Dhabi at the facilities of Abu Dhabi National Oil Corporation, a state-owned oil company. In the following weeks, UAE forces intercepted three more hostile drones that entered UAE airspace, one of which was claimed by an Iraqi militia group. These situations have caused significant disruption to the economies of affected countries and may have had a destabilising effect on international oil and gas prices. In February 2022, an armed conflict ignited between Russia and Ukraine. The conflict is resulting in tragic loss of life, a flux of refugees to neighbouring countries, as well as causing significant damage to Ukraine's physical infrastructure. The United States, the United Kingdom, the EU, Japan, Canada and other countries have implemented extensive and unprecedented sanctions (including SWIFT cut-off) against certain Russian entities, persons and sectors, including Russian financial, oil and defence companies as a result of the conflict. In addition, certain countries in the North Atlantic Treaty Organisation have banned the import of Russian oil and transactions with the Central Bank of Russia, with more predicted to follow suit in respect of Russian gas. As a result of the Russia-Ukraine conflict, the economic sanctions imposed on Russia and retaliatory measures adopted by Russia, energy and commodity prices (including wheat and other grains) have surged, adding to the inflationary pressures experienced globally caused by the COVID-19 pandemic. This has caused and will likely continue to cause significant disruptions to regional economies and global financial markets. While not directly impacting the UAE's territory, the dispute could negatively affect the Group's customers, in particular those originating from Eastern Europe. This, in turn, may have an adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

Though the effects of the uncertainty have been varied, it is not possible to predict the occurrence of events or circumstances such as war or hostilities, or the impact of such occurrences, and no assurance can be given that the UAE would be able to sustain its current economic growth levels if adverse political events or circumstances were to occur. Continued instability affecting the countries in the MENA region could adversely impact the UAE, although, to date, there has been no significant impact on Dubai or the UAE.

Dubai is also dependent on expatriate labour and has made significant efforts in recent years to attract high volumes of foreign businesses and tourists to the emirate. These steps make it potentially more vulnerable should regional instability increase. In addition, the continued instability affecting countries in the MENA region could negatively impact the number of foreign businesses seeking to invest in the UAE, while also affecting the number of tourists visiting the UAE. The Group has benefited from this favourable environment for investment by non-UAE nationals in the Dubai real estate market and should Dubai be viewed as a less attractive destination, this could have an adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

A lack or a perceived lack of transparency in Dubai real estate market may adversely impact the Group

Whilst Dubai's real estate market has recently entered the "transparent" score according to the 2022 Global Real Estate Transparency Index published by Jones Lang LaSalle, no assurance can be given that it will remain in this category in the future. The degree of transparency of a real estate market is determined by reference to a number of factors, including comparable transactions, the accessibility of information relating to counterparties and land title, the reliability of market data, the clarity of regulations relating to all matters of real estate conveyance and access to government agencies able to verify information provided by counterparties in connection with real estate transactions, all of which are outside the Group's control. There can be no assurance that the factors described above will not result in the discovery of information or liabilities that could affect the value, expected purpose or returns on investment of the Group's investments to an extent that may result in a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

UAE visa legislation may have an adverse effect on the Group's business

Although the Group has a diverse customer base, non-UAE nationals are the most significant customer category due to the freehold nature of the Group's projects (see further "*Description of the Group's Business – Customers*"). As a result, the Group's customer base could be materially impacted by any change in the UAE's visa policies which have, in recent years, been favourable to foreign investment in real estate.

Federal Decision No. 281 of 2009 issued by the Minister of the Interior in May 2009 (the "**Resolution**"), which came into effect on 1 June 2009, standardised the terms of residency permits issued to expatriate residential property owners across the UAE. The decree allows expatriate property owners to apply for renewable multiple-entry visas with a validity of six months. The residency permit does not entitle the holder to work in the UAE and is, in effect, a long-term visit visa. In order to successfully apply for the new permit, expatriate property owners must satisfy certain criteria, including a minimum property valuation of at least AED 1 million, earning thresholds and the maintenance of appropriate insurance. The UAE federal government has introduced other new visa measures to make the UAE more appealing to investors, entrepreneurs, skilled personnel and outstanding students, including the 10-year 'Golden' visa. However, any restrictive changes to the UAE's visa policies in the future may discourage foreign nationals from investing in property in the UAE, which would have an adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The UAE recently introduced corporation tax

On 3 October 2022, the UAE issued Federal Decree Law No. 47 of 2022 which introduced a corporate income tax ("**CIT**") on business profits with effect from 1 June 2023. The CIT will impact the Group's future tax charge and will be reflected in its financial statements as at and for year ended 31 December 2023 and onwards. The CIT will apply on the taxable net profits of a business. It will not apply to taxable profits up to AED 375,000 and will apply at a standard statutory tax rate of nine per cent. to taxable profits in excess thereof.

The implementation of changes to corporation tax (or any other analogous tax regime) may have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

If the UAE authorities impose new tax regimes on the Group in addition to the CIT or introduce any other changes in tax laws which make doing business in Dubai less attractive, this may have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

The Group may be negatively affected by changes in laws and regulations in Dubai and the UAE generally

The laws and regulations that currently regulate the real estate market in Dubai and the UAE generally are relatively untested or under development and, accordingly, there is uncertainty surrounding their interpretation and application. No assurance can be given that the current laws will be enforced or interpreted in a manner that will not have a material adverse effect on the Group's business, financial condition and results of operations.

Further, any changes in applicable laws and regulations (including their interpretation by the relevant authorities and/or the courts), particularly pertaining to foreign investment and trade, taxation, title to property or transfer of title, may require a considerable amount of time for the Group, as well as other participants in the real estate industry, to interpret and may lead to unfavourable market conditions. For instance:

- compared to more mature real estate markets, such as those in Western Europe and North America, the real estate market of Dubai and of the UAE generally has been open to investment by non-UAE nationals for a relatively short time. Pursuant to the Dubai Real Estate Law of 2006, any transfer of interest in real estate which is not specified in either Article 3 or Article 4 of Regulation No. 3 of 2006 to non-UAE nationals is not permitted. Any changes to this position that restrict the ability of non-UAE nationals to own property in Dubai may have a material adverse effect on the real estate sector in Dubai;

- the transfer fee to register a transfer of ownership in Dubai was increased to 4 per cent. in 2013, a value added tax was introduced in the UAE with effect from 1 January 2018 and the CIT was introduced with effect from 1 June 2023. Any increases to these taxes or introduction of further property registration or transfer fees and/or taxes may curb real estate activity in Dubai and the UAE; and
- Dubai Law No. (19) of 2017 amending Dubai Law No. (13) of 2008 Regulating the Interim Real Property Register in the Emirate of Dubai outlines the process which developers must follow to terminate off-plan sale and purchase agreements in the case of customer defaults. Any changes to this process may result in an increased administrative burden on developers like the Group or may impact non-UAE nationals' willingness to invest in real estate in Dubai or the UAE.

Other changes that may have a material adverse effect on the Group include:

- changes to the UAE planning and construction laws and regulations;
- changes in the UAE building and construction codes (which could increase construction costs);
- changes to the laws relating to the Group's ability to sell units off-plan;
- changes to the laws relating to real estate brokerage;
- changes to UAE visa laws restricting or prohibiting the influx of expatriate workers;
- changes to, or the revocation of, the laws allowing ownership of land by non-UAE nationals; and
- the introduction of limits or restrictions on mortgage financing.

Any of the foregoing may limit the Group's activities and ability to realise returns and may have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

Foreign exchange policy, inflation and exchange rates may adversely affect the Group

Prices for the Group's units are mainly quoted and paid for in AED or in local currencies which are also pegged to the U.S. dollar. The AED has been "pegged" at a fixed exchange rate to the U.S. dollar since 22 November 1980. The relative weakness of the U.S. dollar over the past decade has made investment into the UAE more attractive to investors whose base currency is not, or is not pegged to, the U.S. dollar. Accordingly, the Group's ability to sell properties to customers purchasing in currencies other than the AED or another currency pegged to the U.S. dollar may be materially adversely affected if the U.S. dollar strengthens against the currencies of such customers' jurisdictions, as demand from such customers would likely fall. Similarly, if the AED/U.S. dollar peg were removed or altered, and were to result in a strengthening of the AED against the currencies of jurisdictions in which a significant number of the Group's customers are based, the Group's properties may become less attractive to such customers, which may result in a decrease in demand for the Group's properties and require the Group to realise smaller margins or losses on units sold. Many of the Group's customers are based outside the UAE in jurisdictions whose currencies are not pegged to the U.S. dollar and, accordingly, the Group is exposed to the potential impact of any change to, or abolition of, the exchange rate peg between the U.S. dollar and the AED.

The Group is also exposed to foreign currency exchange risk arising from foreign currency exposures with respect to Indian Rupee as the Group has investments in equity shares in that currency (for further details, see note 30.1 to the 2022 Financial Statements).

Inflation and foreign currency exchange rates in the UAE have historically been contained and stable. Monetary policy is set by the Central Bank of the UAE and fiscal policy is set by the Federal Ministry of Finance for the federal budget, and by each of the individual emirates for the respective emirate budgets. However, change in monetary policy is to some extent restricted due to the AED being pegged to the U.S. dollar. The occurrence of excessive inflation, devaluation in the local currency or an elimination of the AED/U.S. dollar peg which allows for greater change in UAE monetary policy could have a material adverse effect on the Group's business, financial condition and results of operations and therefore affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party.

Risk Factors Relating to the Lease Assets

Limitations relating to the indemnity provisions under the Purchase Undertaking and the Declaration of Trust

PNCI has undertaken in the Purchase Undertaking and the Declaration of Trust that: (i) if, at the time of delivery of the exercise notice in accordance with the provisions of the Purchase Undertaking, PNC Investments LLC remains in actual or constructive possession, custody or control of all or any part of the Lease Assets, the Tangibility Event Certificateholder Put Right Lease Assets or the Change of Control Put Right Lease Assets, as the case may be; and (ii) if, following delivery of the exercise notice in accordance with the provisions of the Purchase Undertaking, the Exercise Price, the Tangibility Event Put Right Exercise Price or the Change of Control Exercise Price, as the case may be, is not paid in accordance with the provisions of the Purchase Undertaking for any reason whatsoever, PNCI shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the Trust Certificates then outstanding or the Tangibility Event Certificateholder Put Right Trust Certificates or the Change of Control Put Right Trust Certificates (each as defined in the Purchase Undertaking), as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price, the Tangibility Event Certificateholder Put Right Exercise Price or the Change of Control Exercise Price, as the case may be.

Subject to the satisfaction of the conditions in (i) and (ii) as described above, if PNCI fails to pay the Exercise Price, the Tangibility Event Put Right Exercise Price or the Change of Control Exercise Price, as the case may be, in accordance with the Purchase Undertaking, the Delegate (on behalf of the Certificateholders) may, subject to the matters set out in Condition 15 (*Dissolution Events*) and the terms of the Declaration of Trust, seek to enforce, *inter alia*, the provisions of the Purchase Undertaking and the Declaration of Trust against PNCI by commencing legal or arbitral proceedings.

However, investors should note that, in the event that PNC Investments LLC does not remain in actual or constructive possession, custody or control of all or any part of the Lease Assets, the Tangibility Event Certificateholder Put Right Lease Assets or the Change of Control Put Right Lease Assets, as the case may be, at the time of delivery of the exercise notice in accordance with the provisions of the Purchase Undertaking, the condition in (i) as described above will not be satisfied and, therefore, no amounts will be payable by PNCI under the separate indemnity provisions. For the avoidance of doubt, no investigation has been or will be made by the Trustee, the Joint Lead Managers or the Delegate as to whether PNCI has or will continue to have actual or constructive possession, custody or control of any Lease Assets.

Accordingly, in such event, the Delegate (on behalf of the Certificateholders) may be required to establish that there has been a breach of contract by PNCI in order to prove for damages. Such breach of contract may be due to (i) a breach by PNCI of the requirement to purchase the Trustee's rights, title, interests, benefits and entitlements in, to and under the Lease Assets on the relevant Dissolution Date pursuant to the provisions of the Purchase Undertaking; and/or (ii) a breach by PNCI (acting in its capacity as Lessee pursuant to the provisions of the Lease Agreement) of its undertaking to maintain actual or constructive possession, custody or control of all of the Lease Assets.

As a result, the Delegate (on behalf of the Certificateholders) may not be able to recover, or may face significant challenges in recovering, an amount equal to the Exercise Price, the Tangibility Event Put Right Exercise Price or the Change of Control Exercise Price, as the case may be, and in turn, the amount payable to the Certificateholders upon redemption.

Ownership of the Lease Assets

In order to comply with the requirements of *Shari'a*, an ownership interest in the Lease Assets should pass to the Trustee under the Purchase Agreement. The Trustee will declare a trust in respect of the Lease Assets and the other Trust Assets in favour of the Certificateholders pursuant to the Declaration of Trust. Accordingly, from a *Shari'a* perspective, Certificateholders should, through the ownership interest obtained by the Trustee pursuant to the terms of the Purchase Agreement, have an undivided ownership interest in the Lease Assets.

Limited investigation or enquiry will be made and limited due diligence will be conducted in respect of any Lease Assets. The Lease Assets will be selected by PNCI, and the Certificateholders, the Trustee, the Joint Lead Managers, the Delegate and the Agents will have no ability to influence such selection. Only limited representations will be obtained from Sobha Capital LLC and PNCI in respect of the Lease Assets (and such representations shall not form part of the Trust Assets). Although Sobha Capital LLC and PNCI have undertaken in the Purchase Agreement to do all acts or things as may be reasonably requested by the Trustee or required by applicable law to implement the intended purpose of the Purchase Agreement or otherwise to preserve or enforce the Trustee's rights under the Purchase Agreement, the parties have acknowledged that the title to the Lease Assets is not intended to be registered (to the extent registrable) in the name of the Trustee and the seller shall continue to hold the registered title to the Lease Assets for and on behalf of the Trustee. Therefore, other than from a *Shari'a* perspective, Certificateholders shall not have any interest in any Lease Assets which require perfection in order to legally transfer any ownership interest therein.

Further, although the *Shari'a* analysis is such that an ownership interest in the Lease Assets should pass to the Trustee under the Purchase Agreement, the Certificateholders will not have any rights of enforcement as against the Lease Assets and their rights are limited to enforcement against PNCI of its obligation to purchase all (or the applicable portion thereof, as the case may be) of the Lease Assets pursuant to the terms of the Transaction Documents.

Transfer, possession, custody or control of the Lease Assets

Limited investigation has been or will be made by PNCI, the Trustee, the Joint Lead Managers, the Delegate or the Agents as to whether any interest in any Lease Assets may be transferred as a matter of the law of the jurisdiction where such assets are located or any other relevant law and no investigation has been or will be made by the Trustee, the Joint Lead Managers, the Delegate or the Agents as to whether PNCI is in actual or constructive possession, custody or control of any Lease Assets.

The occurrence of a Partial Loss Event could result in the Trust Certificates being redeemed early

If a Partial Loss Event occurs with respect to the Lease Assets, the Lessee may, within 30 days after the Partial Loss Event (and provided that the relevant Lease Assets have not already been replaced in accordance with the Servicing Agency Agreement), deliver to the Lessor a Partial Loss Termination Notice, pursuant to which the Lease shall terminate on the 61st day after the date of the Partial Loss Event. If the Lessee does not serve a termination notice within 30 days after the Partial Loss Event but fails to replace the relevant Lease Assets within 60 days after the date of the Partial Loss Event, the Lease shall automatically terminate on the 61st day after the Partial Loss Event occurred and such termination of the Lease in either of the circumstances set out in this paragraph shall constitute a PNCI Event, following which the Trust Certificates may be redeemed in full in accordance with the Conditions.

The occurrence of a Tangibility Event may have a significant adverse effect on the liquidity and market value of the Trust Certificates

Following the occurrence of a Tangibility Event, the Certificateholders will be promptly notified: (a) that a Tangibility Event has occurred; (b) that, as determined in consultation with the *Shari'a* Adviser, the Trust Certificates should be tradable only in accordance with the *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis); (c) that, on the date falling 15 days following the Tangibility Event Put Right Date, the Trust Certificates will be delisted from any stock exchange on which the Trust Certificates have been admitted to trading; and (d) of the Tangibility Event Put Period, during which period any Certificateholder shall have the right to require the redemption of all or any of its Trust Certificates. Upon receipt of such notice, the Certificateholders may elect, within the Tangibility Event Put Period, for all or any of their Trust Certificates to be redeemed in accordance with the Conditions. Accordingly, a Tangibility Event may have a significant adverse effect on the liquidity and market value of the Trust Certificates.

Risk Factors Relating to the Trust Certificates

The Trust Certificates are limited recourse obligations

The Trust Certificates are not debt obligations of the Trustee. Instead, the Trust Certificates represent an undivided ownership interest solely in the Trust Assets. Recourse to the Trustee in respect of the Trust Certificates is limited to the Trust Assets and the proceeds of such Trust Assets are the sole source of payments on the Trust Certificates. Upon the occurrence of a Dissolution Event, the sole rights of each of the Delegate and, through the Delegate, the Certificateholders, will be against PNCI to perform its obligations under the Transaction Documents to which it is a party. Certificateholders will have no recourse to any assets of the Trustee or PNCI in respect of any shortfall in the expected amounts due under the Trust Assets. PNCI is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee, and the Delegate will have recourse against PNCI to recover such payments due to the Trustee pursuant to the Transaction Documents to which it is a party. In the absence of default by the Delegate, investors have no recourse to PNCI and there is no assurance that the net proceeds of any enforcement action with respect to the Trust Assets (which, as described above, will be by way of enforcing each of PNCI's and the Trustee's respective obligations under the Transaction Documents to which they are a party) will be sufficient to make all payments due in respect of the Trust Certificates. After enforcing the rights in respect of the Trust Assets (in the manner described above) and distributing the net proceeds of such Trust Assets in accordance with Condition 6.2 (*Application of Proceeds from the Trust Assets*), the obligations of the Trustee in respect of the Trust Certificates shall be satisfied and neither the Delegate nor any Certificateholder may take any further steps against the Trustee to recover any further sums in respect of the Trust Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Transaction Documents. The sole right of the Trustee, the Delegate and the Certificateholders against PNCI shall be to enforce the obligation of PNCI under the Transaction Documents to which it is a party.

Consents to variation of the Conditions, the Trust Certificates and the Transaction Documents

The Conditions, the Trust Certificates, the provisions of the Declaration of Trust or any other Transaction Document can only be amended by PNCI and the Trustee with the prior written consent of the Delegate. The Delegate may agree, without the consent of the Certificateholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions, the Trust Certificates, the Declaration of Trust or any other Transaction Document or determine, without any such consent or sanction as aforesaid, that any Dissolution Event shall not be treated as such, if, in the opinion of the Delegate:

(a) such modification is of a formal, minor or technical nature; or

(b) such modification is made to correct a manifest error; or

(c) such modification, waiver, authorisation or determination is not, in the sole opinion of the Delegate, materially prejudicial to the interests of Certificateholders and is other than in respect of a Reserved Matter,

provided that, in the case of (c) above, no such modification, waiver, authorisation or determination may be made in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of Trust Certificates.

Any such modification, waiver, authorisation or determination may be made on such terms and subject to such conditions (if any) as the Delegate may determine, shall be binding upon the Certificateholders and shall as soon as practicable thereafter be notified by the Trustee to Certificateholders in accordance with Condition 18 (*Notices*). Further, any such modification, waiver, authorisation or determination in relation to any Trust Certificates may adversely affect their trading price.

Credit ratings assigned to PNCI or any Trust Certificates do not reflect all the risks associated with an investment in the Trust Certificates and may be subject to revision or withdrawal

One or more independent credit rating agencies may assign credit ratings to PNCI or the Trust Certificates. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above and any other factors that may affect the value of the Trust Certificates. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. The Trustee has no obligation to inform Certificateholders of any revision, downgrade or withdrawal of its current or future credit ratings. A suspension, downgrade or withdrawal at any time of a credit rating assigned to PNCI and/or the Trust Certificates may adversely affect the trading price of the Trust Certificates.

In general, European regulated investors are restricted under the EU CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the

European Economic Area (the "**EEA**") and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction may also apply in the case of credit ratings issued by non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant non-EEA third country rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to: (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended; and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Trust Certificates changes, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Trust Certificates may have a different regulatory treatment. This may result in relevant regulated investors selling the Trust Certificates which may impact the value of the Trust Certificates and any secondary market.

Absence of secondary market/limited liquidity

There is no assurance that a secondary market for the Trust Certificates will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of the Trust Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Trust Certificates readily or at prices that will enable the Certificateholder to realise a desired yield. The market value of the Trust Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Trust Certificates.

The Trustee and PNCI have applied for Trust Certificates to be admitted to trading on the ISM and on Nasdaq Dubai. However, prospective investors should note that there can be no assurance that such admission to trading will occur or, if it occurs, can be maintained or that it will enhance the liquidity of the Trust Certificates. The absence of admission to trading on the ISM and/or on Nasdaq Dubai may have an adverse effect on a Certificateholder's ability to hold, or resell, and the value of, the Trust Certificates.

Accordingly, the purchase of the Trust Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Trust Certificates and the financial and other risks associated with an investment in the Trust Certificates.

Trust Certificates which have a denomination that is not an integral multiple of U.S.$200,000 may be illiquid and difficult to trade

The minimum denomination of the Trust Certificates is U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Therefore, it is possible that the Trust Certificates may be traded in amounts in excess of U.S.$200,000 that are not integral multiples of U.S.$200,000. In such a case, a Certificateholder who, as a result of trading such amounts, holds a face amount of less than U.S.$200,000 would need to purchase a face amount of Trust Certificates such that it holds an amount equal to at least U.S.$200,000 to be able to trade such Trust Certificates. Certificateholders should be aware that Trust Certificates which have a denomination that is not an integral multiple of U.S.$200,000 may be illiquid and difficult to trade.

The Trust Certificates may be subject to early dissolution

The Trust Certificates may be redeemed prior to the Scheduled Dissolution Date as further described in Condition 11 (*Capital Distributions of the Trust*). If the Trust Certificates are redeemed in such circumstances, an investor may not be able to reinvest the redemption proceeds at an effective profit rate as high as the profit rate on the Trust Certificates being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

There is no assurance that the Trust Certificates will be compliant with the principles of Islamic finance

Each of the Internal Sharia Supervisory Committee of Dubai Islamic Bank PJSC, the Emirates NBD Islamic Internal Shari'a Supervision Committee and the Global Shariah Supervisory Committee of Standard Chartered Bank have confirmed that the Transaction Documents are, in their view, compliant with the principles of *Shari'a* as applicable to, and as interpreted by, them. However, there can be no assurance that the Transaction Documents or any issue and trading of any Trust Certificates will be deemed to be *Shari'a* compliant by any other *Shari'a* board or *Shari'a* scholars. None of PNCI, the Trustee, the Delegate, the Joint Lead Managers or the Agents makes any representation to potential investors as to the *Shari'a* compliance of any Trust Certificates and/or any trading thereof, the Transaction Documents or the above pronouncements and potential investors are reminded that, as with any *Shari'a* views, differences in opinion are possible and different *Shari'a* standards may be applied by different *Shari'a* boards. In addition, none of the Delegate, the Joint Lead Managers or the Agents will have any responsibility for monitoring or ensuring compliance with any *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis) referred to in Condition 11.3 (*Dissolution following a Total Loss Event*) and Condition 11.4 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*) nor shall it be liable to any Certificateholder or any other person in respect thereof. Potential investors should not rely on the above pronouncements in deciding whether to make an investment in the Trust Certificates and should obtain their own independent *Shari'a* advice as to the compliance of the Transaction Documents and whether the Trust Certificates will meet their individual standards of compliance and the issue and trading of the Trust Certificates with *Shari'a* principles, including the tradability of the Trust Certificates on any secondary market. Questions as to the *Shari'a* compliance of the Transaction Documents or the *Shari'a* permissibility of the issue and the trading of the Trust Certificates may limit the liquidity and adversely affect the market value of the Trust Certificates.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties under the Transaction Documents (other than the Purchase Agreement, any Supplemental Purchase Agreement, the Lease Agreement and any Sale Agreement) shall be, if in dispute, be referred to, and finally resolved by, arbitration under the Arbitration Rules of the LCIA, in London, England. PNCI has also agreed under the Transaction Documents to which it is a party (other than the Purchase Agreement, any Supplemental Purchase Agreement, the Lease Agreement and any Sale Agreement) to submit to the jurisdiction of the courts of England at the option of the Trustee or the Delegate (as the case may be). In such circumstances, the arbitrator or court will apply the relevant law of the relevant Transaction Document in determining the obligations of the parties.

Risk Factors Relating to Enforcement

Investors may experience difficulty in enforcing arbitration awards and foreign judgments in the UAE

The payments under the Trust Certificates are dependent upon PNCI making payments to the Trustee in the manner contemplated under the Transaction Documents. If PNCI fails to do so, it may be necessary for an investor to bring an action against PNCI to enforce its obligations (subject to the provisions of the Conditions) and/or to claim damages, as appropriate, which may be costly and time consuming.

Furthermore, to the extent that the enforcement of remedies must be pursued in the UAE, it should be borne in mind that there is limited scope for self-help remedies under UAE law and that generally enforcement of remedies in the UAE must be pursued through the courts.

PNCI has irrevocably agreed to each of the Transaction Documents (other than the Purchase Agreement, any Supplemental Purchase Agreement, the Lease Agreement and each Sale Agreement) and the Trust Certificates (the "**English Law Documents**") being governed by English law. Unresolved disputes in relation to the English Law Documents will, unless the option to litigate set out therein is exercised, be referred to arbitration under the Arbitration Rules of the LCIA, with the seat of arbitration in London. In the event that such option to litigate set out therein is exercised, any dispute may also be referred to the courts of England (or another court of competent jurisdiction as the relevant party may elect).

Notwithstanding that an arbitral award may be obtained from an arbitral tribunal in London or that a judgment may be obtained in an English court, there is no assurance that PNCI has, or would at the relevant time have, assets in the UK against which such arbitral award or judgment could be enforced. PNCI is incorporated in and has its operations and the majority of its assets located in the UAE. Under current UAE law, the UAE courts (including the courts of Dubai) are unlikely to enforce an English court judgment without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the transaction. In the UAE, foreign law is required to be established as a question of fact and the interpretation of English law, by a court in the UAE, may not accord with the interpretation by an English court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or to any mandatory law of, or applicable in, the UAE. This may mean that the UAE courts may seek to interpret English law governed documents as if they were governed by UAE law and there can therefore be no certainty that in those circumstances the UAE courts would give effect to such documents in the same manner as the parties may intend.

As the UAE is a civil law jurisdiction, judicial precedents in the UAE have no binding effect on subsequent decisions. In addition, there is no formal system of reporting court decisions in the UAE. These factors create greater judicial uncertainty than would be expected in other jurisdictions. The enforcement of a foreign judgment or arbitral award may be a lengthy process in the UAE.

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**") entered into force in the UAE on 19 November 2006. In the absence of any other multilateral or bilateral enforcement convention, an arbitration award rendered in London should be enforceable in the UAE in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V(1) of the New York Convention to refuse enforcement, or the UAE courts find pursuant to Article V(2) of the New York Convention that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE.

In practice, however, there is no established track record as to how the New York Convention provisions would be interpreted and applied by the UAE courts in practice and whether the UAE courts will enforce a foreign arbitration award in accordance with the New York Convention (or any other multilateral or bilateral enforcement convention). This is reinforced by the lack of a system of binding judicial precedent in the UAE and the independent existence of different emirates within the UAE, some with their own court systems, whose rulings may have no more than persuasive force cross border. Although there are examples of foreign arbitral awards being enforced in the UAE under the New York Convention, there are other cases where the enforcement of foreign arbitral awards has been refused, with, for example, the relevant judge confusing the requirements for the enforcement of domestic awards with the requirements for the enforcement of foreign court judgments.

Federal Law No. 42 of 2022 Promulgating the Civil Procedure Code ("**Law of Civil Procedure**") governs the enforcement of foreign arbitral awards in the UAE. The Law of Civil Procedure confirms that arbitral awards issued in a foreign state may be enforced in the UAE and that any conditions for enforcement of foreign arbitral awards set out therein shall not prejudice the provisions of treaties and agreements entered into by the UAE with other states, such as the New York Convention. However, there is no established track record as to how the overlapping provisions of the New York Convention and the Law of Civil Procedure will be interpreted and applied by the UAE courts in practice. In addition, there remains a risk that, notwithstanding the Law of Civil Procedure and the terms of an applicable treaties or agreements between the UAE and other states, the UAE courts may in practice still consider and apply the grounds set out in Federal Law No. 6 of 2018 (the "**UAE Arbitration Law**") to the enforcement of any non-UAE arbitral award. As the UAE Arbitration Law and the Law of Civil Procedure are both relatively untested, it is unclear how they will be applied by the UAE courts in practice. Accordingly, there is a risk that a non-UAE arbitral award will be refused enforcement by the UAE courts.

There can be no assurance as to whether the waiver of immunity provided by PNCI will be valid and binding under UAE law

PNCI has agreed, in the Transaction Documents to which it is a party, that it will not claim and has waived, to the fullest extent possible under applicable law, immunity from suit, execution before judgment or otherwise or other legal process. However, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by it under Transaction Documents to which PNCI is a party are valid and binding under the laws of the Emirate of Dubai and, to the extent applicable therein, the federal laws of the UAE. If the waiver is not valid and binding, there is a risk that the waiver may not be able to be enforced against PNCI. As such, Certificateholders may ultimately not be able to enforce PNCI's relevant obligations under the Transaction Documents.

Shari'a requirements in relation to interest awarded by a court

In accordance with applicable *Shari'a* principles, each of the Trustee and the Delegate will waive all and any entitlement it may have to interest awarded in its favour by an arbitrator as a result of any arbitration and/or by a court in connection with any dispute under any of the Transaction Documents. Should there be any delay in the enforcement of a judgment or arbitral award given against PNCI, judgment interest may accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest.

Compliance with UAE bankruptcy law may affect PNCI's ability to perform its obligations under the Transaction Documents

In the event of PNCI's insolvency, UAE bankruptcy law may adversely affect PNCI's ability to perform its obligations under the Transaction Documents to which it is a party and, in turn, may adversely affect the Trustee's ability to perform its obligations in respect of the Trust Certificates. There is little precedent to predict how claims by or on behalf of the Certificateholders, the Trustee and/or the Delegate would be resolved, and therefore there can be no assurance that Certificateholders will receive payment of their claims in full or at all in these circumstances.

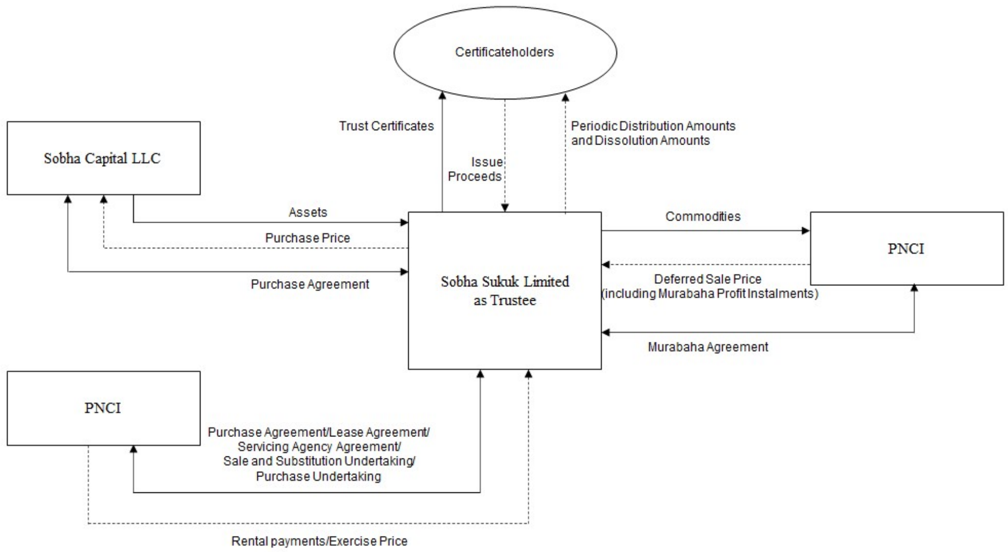
Claims for specific enforcement

In the event that PNCI fails to perform its obligations under any Transaction Document to which it is a party, the potential remedies available to the Trustee and the Delegate include obtaining an order for specific enforcement of PNCI's obligations or a claim for damages. There is no assurance that a court will provide an order for specific enforcement of a contractual obligation, which is a discretionary matter for the relevant court.

The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the Trustee and the Delegate to mitigate any loss arising as a result of the breach. No assurance is provided on the level of damages which a court may award in the event of a failure by PNCI to perform its obligations set out in the Transaction Documents to which it is a party.

STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying the Trust Certificates. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this document for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.



Cashflows

Payments by the Certificateholders and the Trustee

On the Issue Date, the Certificateholders will pay the issue price (the "**Issue Proceeds**") in respect thereof to the Trustee, and the Trustee will pay:

(a) at least 55 per cent. of the aggregate face amount of the Trust Certificates as the purchase price (the "**Purchase Price**") payable pursuant to a purchase agreement between the Trustee, PNCI and the seller of the Assets, being Sobha Capital LLC (the "**Purchase Agreement**") for the purchase of certain real estate assets located in the Emirate of Dubai (the "**Assets**"); and

(b) the remaining portion of the Issue Proceeds (which shall be no more than 45 per cent. of the aggregate face amount of the Trust Certificates) (the "**Commodity Purchase Price**") for the purchase of commodities to be on-sold to PNCI in consideration for a deferred sale price equal to the sum of: (i) the Commodity Purchase Price; and (ii) a profit amount (the "**Deferred Sale Price**") pursuant to a murabaha agreement between the Trustee, PNCI and the Delegate (the "**Murabaha Agreement**").

Periodic Payments by the Trustee

On each Periodic Distribution Date, the Servicing Agent (on behalf of the Trustee) will apply amounts standing to the credit (or equivalent) of a collection account (comprised of a rental payment pursuant to the Lease Agreement and an instalment profit component of the Deferred Sale Price pursuant to the Murabaha Agreement, each as payable by PNCI (acting in its relevant capacities under the Lease Agreement and the Murabaha Agreement, as applicable) in connection with such Periodic Distribution Date) in payment into the Transaction Account of an amount which is intended to be sufficient to fund the Periodic Distribution Amount payable by the Trustee under the Trust Certificates and shall be applied by the Trustee for that purpose.

Dissolution Payments

On the Scheduled Dissolution Date:

(a) the aggregate amounts of the Deferred Sale Price then outstanding, if any, shall become immediately due and payable by PNCI; and

(b) the Trustee will have the right under the Purchase Undertaking to require PNCI (in its capacity as obligor) to purchase all of its rights, title, interests, benefits and entitlements in, to and under the Lease Assets for an amount equal to the Exercise Price.

The Exercise Price payable by PNCI to the Trustee, together with the aggregate amounts of the Deferred Sale Price then outstanding, if any, are intended to fund the Final Dissolution Amount to be paid by the Trustee under the Trust Certificates on the Scheduled Dissolution Date.

The Trust may be dissolved prior to the Scheduled Dissolution Date for a number of reasons including: (i) unless the Lease Assets have been replaced in accordance with the Servicing Agency Agreement, upon the occurrence of a Total Loss Event; (ii) upon the occurrence of a Tax Event; (iii) upon the occurrence of a Dissolution Event; (iv) upon the exercise by PNCI of its optional dissolution call right as set out in Condition 11.6 (*Dissolution at the Option of PNCI (Optional Dissolution Call Right)*); (v) if 75 per cent. or more of the aggregate face amount of the Trust Certificates then outstanding have been redeemed and/or purchased and cancelled pursuant to the Conditions; (vi) upon the occurrence of a Tangibility Event; or (vii) upon the occurrence of a Change of Control.

In the case of (ii), (iii), (iv), (v), (vi) and (vii) above, the Dissolution Amount will be funded in a similar manner as for the payment of the Final Dissolution Amount on the Scheduled Dissolution Date, save that, in the case of (ii), (iv) and (v), PNCI shall have the right under the Sale and Substitution Undertaking to require the Trustee to transfer to it all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Lease Assets.

In the case of (i) above, the Dissolution Amount will be funded using: (1) any proceeds of Insurances and/or (if applicable) the Loss Shortfall Amount payable in respect of the Total Loss Event; and (2) the aggregate amounts of the Deferred Sale Price then outstanding.

USE OF PROCEEDS

The Issue Proceeds will be applied by the Trustee pursuant to the terms of the relevant Transaction Documents on the Issue Date in the following proportion: (a) not less than 55 per cent. of the aggregate face amount of the Trust Certificates towards the purchase from Sobha Capital LLC of all of its rights, title, interests, benefits and entitlements in, to and under the Assets pursuant to the Purchase Agreement; and (b) the remaining portion of the Issue Proceeds (being not more than 45 per cent. of the aggregate face amount of the Trust Certificates) towards the purchase of commodities to be subsequently sold to PNCI pursuant to the Murabaha Agreement.

The proceeds received by PNCI in consideration for the transactions entered into with the Trustee as set out above (comprising, for the avoidance of doubt, the Purchase Price payable pursuant to the Purchase Agreement and an amount equal to the Commodity Purchase Price payable to PNCI pursuant to the on-sale of commodities) will be applied by PNCI to settle existing financings and for its general corporate purposes.

DESCRIPTION OF THE TRUSTEE

General

The Trustee is an exempted company incorporated on 16 May 2023 with limited liability under the Companies Act (as amended) of the Cayman Islands with registered number 400031 whose registered office is at c/o Walkers Fiduciary Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands, and whose telephone number is +1 345 814 7600. The Trustee has been established for the sole purpose of issuing the Trust Certificates and entering into the transactions contemplated by the Transaction Documents to which it is a party.

Share Capital

The authorised share capital of the Trustee is U.S.$50,000 divided into 50,000 ordinary shares of U.S.$1.00 par value each, 250 of which have been issued at the date of this Offering Circular. All of the issued shares (the "**Shares**") are fully paid and are held by Walkers Fiduciary Limited as share trustee (in such capacity, the "**Share Trustee**") under the terms of a share declaration of trust (the "**Share Declaration of Trust**") under which the Share Trustee holds the Shares on trust until the Termination Date (as defined in the Share Declaration of Trust) and may only dispose or otherwise deal with the Shares in accordance with the Share Declaration of Trust. Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has power to benefit Charities (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any Trust Certificates are outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to Charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

The Trustee does not have any subsidiaries.

Business of the Trustee

The Trustee has no prior operating history or prior business and does not and will not have any substantial liabilities other than in connection with the Trust Certificates to be issued. The Trust Certificates are the obligations of the Trustee alone and not the Share Trustee.

The objects for which the Trustee is established are set out in clause 3 of its Memorandum of Association as registered or adopted on 16 May 2023.

Financial Statements

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

Directors of the Trustee

The Directors of the Trustee are as follows:

Name	Principal Occupation
Aaron Bennett	Senior Vice President, Walkers Fiduciary Limited
Gennie Bigord	Senior Vice President, Walkers Fiduciary Limited
Linval Stewart	Vice President, Walkers Fiduciary Limited

The business address of Aaron Bennett is at c/o Walkers Professional Services (Middle East) Limited, Level 14, Burj Daman, Dubai International Financial Centre, P.O. Box 506513, Dubai, United Arab Emirates.

The business address of Gennie Bigord and Linval Stewart is at c/o Walkers Fiduciary Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands.

Conflicts

There are no potential conflicts of interest between the private interests or other duties of the Directors of the Trustee listed above and their respective duties to the Trustee other than in their capacities as employees of Walkers Fiduciary Limited, the corporate services administrator of the Trustee.

Trustee Administrator

Walkers Fiduciary Limited will also act, or procure that a subsidiary acts, as the corporate service provider of the Trustee. The office of the Trustee Administrator will serve as the general business office of the Trustee. Through the office, and pursuant to the terms of the Corporate Services Agreement, the Trustee Administrator will perform in the Cayman Islands various administrative functions on behalf of the Trustee, including engaging in communications with shareholders and the general public, and the provision of certain clerical, administrative and other services until termination of the Corporate Services Agreement. In consideration of the foregoing, the Trustee Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses. The terms of the Corporate Services Agreement provide that the Trustee may terminate the appointment of the Trustee Administrator by giving one month's notice to the Trustee Administrator or without notice upon the happening of certain stated events, including any breach by the Trustee Administrator of its obligations under the Corporate Services Agreement. In addition, the Corporate Services Agreement provides that the Trustee Administrator shall be entitled to retire from its appointment by giving at least one month's notice in writing.

The Trustee Administrator will be subject to the overview of the Trustee's Directors.

The Trustee Administrator's principal office is c/o Walkers Fiduciary Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands. The Directors of the Trustee are all employees or officers of the Trustee Administrator. The Trustee has no employees and is not expected to have any employees in the future.

SELECTED FINANCIAL INFORMATION

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and should also be read in conjunction with "Financial Review". See also "Presentation of Financial and Other Information" for a discussion of the sources of the numbers contained in this section.

Consolidated Statement of Financial Position

The table below shows the Group's consolidated statement of financial position as at 31 March 2023 and as at 31 December in each of 2022, 2021 and 2020.

	As at 31 March	As at 31 December		
	2023	2022	2021	2020
(AED '000)	*(unaudited)*			
Assets				
Non-current				
Property and equipment	53,529	57,225	56,616	48,819
Intangible assets	1,412	1,057	1,461	1,870
Investment properties	1,193,201	1,303,186	2,712,198	3,494,085
Properties under development	54,532	66,677	317,069	293,926
Financial asset	887,117	1,211,049	2,033,883	961,037
	2,189,791	**2,639,194**	**5,121,227**	**4,799,737**
Current				
Properties under development	1,250,742	1,454,058	1,222,135	1,669,531
Trade and other receivables	5,539,362	5,286,478	3,394,596	1,629,668
Due from related parties	—	—	—	149,897
Other financial assets	66,004	43,974	47,595	108,899
Cash and cash equivalents	1,015,899	679,155	237,037	62,945
	7,872,007	**7,463,665**	**4,901,363**	**3,620,940**
Total assets	**10,061,798**	**10,102,859**	**10,022,590**	**8,420,677**
Equity and liabilities				
Equity				
Share capital	300	300	300	300
Statutory reserve	150	150	150	150
Fair value reserve	375,716	699,648	1,522,482	449,636
Retained earnings	5,597,966	5,261,213	3,777,727	3,158,955
Shareholders' account	999,619	999,619	999,187	999,198
	6,973,751	**6,960,930**	**6,299,846**	**4,608,239**
Non-controlling interest	374,592	374,946	723,683	726,802
Total equity	**7,348,343**	**7,335,876**	**7,023,529**	**5,335,041**
Liabilities				
Non-current				
Employees' end of service benefits	14,978	12,776	10,331	7,837
Borrowings	1,529,637	1,578,978	2,076,570	753,188
Finance lease liabilities	—	—	45	903
	1,544,615	**1,591,754**	**2,086,946**	**761,928**
Current				
Borrowings	281,056	298,512	379,220	1,861,184
Finance lease liabilities	33	46	779	2,082
Trade and other payables	599,599	597,136	278,874	172,527
Due to related parties	288,152	279,535	253,242	287,915
	1,168,840	**1,175,229**	**912,115**	**2,323,708**
Total liabilities	**2,713,455**	**2,766,983**	**2,999,061**	**3,085,636**
Total equity and liabilities	**10,061,798**	**10,102,859**	**10,022,590**	**8,420,677**

Consolidated Statement of Comprehensive Income

The table below shows the Group's consolidated statement of comprehensive income for the three months ended 31 March in each of 2023 and 2022 and for the year ended 31 December in each of 2022, 2021 and 2020.

	For the three months ended 31 March		For the year ended 31 December		
	2023	2022	2022	2021	2020
(AED '000)	*(unaudited)*				
Revenue	1,609,045	979,780	5,550,175	3,165,950	1,013,712
Direct costs	(976,654)	(615,058)	(3,397,230)	(2,135,802)	(666,106)
Gross profit	**632,391**	**364,722**	**2,152,945**	**1,030,148**	**347,606**
Administrative and general expenses	(121,464)	(65,318)	(294,783)	(158,685)	(102,049)
Depreciation and amortisation	(4,427)	(3,740)	(16,993)	(13,386)	(6,923)
Selling and marketing expenses	(172,565)	(110,586)	(652,496)	(251,959)	(84,379)
Finance costs – net	(4,985)	(18,723)	(72,803)	(59,828)	(90,525)
Gain on fair value of investment properties	—	—	77,859	50,507	27,134
Other income	7,449	924	33,663	18,856	120,970
Net profit for the period/year	**336,399**	**167,279**	**1,227,392**	**615,653**	**211,834**
Other comprehensive income					
Fair value (loss)/gain on financial asset	(332,514)	(418,469)	(620,765)	1,092,066	31,637
Foreign exchange differences reclassified to profit or loss on transfer of subsidiary	—	—	—	—	127
Foreign exchange gain/(loss) on financial asset	8,582	(37,516)	(202,069)	(19,220)	(22,338)
	(323,932)	**(455,985)**	**(822,834)**	**1,072,846**	**9,426**
Total comprehensive income/(loss) for the period/year	**12,467**	**(288,706)**	**404,558**	**1,688,499**	**221,260**
Net profit for the period/year attributable to:					
Owners of the Company	336,753	168,181	1,227,862	618,772	173,043
Non-controlling interest	(354)	(902)	(470)	(3,119)	38,791
	336,399	**167,279**	**1,227,392**	**615,653**	**211,834**
Total comprehensive income/(loss) for the period/year attributable to:					
Owners of the Company	12,821	(287,804)	405,028	1,691,618	182,469
Non-controlling interest	(354)	(902)	(470)	(3,119)	38,791
	12,467	**(288,706)**	**404,558**	**1,688,499**	**221,260**

Consolidated Statement of Cash Flows

The table below summarises the Group's consolidated statement of cash flows for the three months ended 31 March in each of 2023 and 2022 and for the year ended 31 December in each of 2022, 2021 and 2020.

	For the three months ended 31 March		For the year ended 31 December		
	2023	2022	2022	2021	2020
(AED '000)	*(unaudited)*				
Net cash from/(used in) operating activities	659,410	262,727	1,408,025	507,219	(735,321)
Net cash (used in) investing activities	(238,422)	(2,176)	(169,275)	(16,271)	(4,240)
Net cash (used in)/from financing activities	(84,244)	(146,733)	(796,632)	(316,856)	411,078
Net change in cash and cash equivalents	**336,744**	**113,818**	**442,118**	**174,092**	**(328,483)**
Cash and cash equivalents, beginning of period/year	679,155	237,037	237,037	62,945	391,428
Cash and cash equivalents, end of period/year	**1,015,899**	**350,855**	**679,155**	**237,037**	**62,945**

Selected Alternative Performance Measures

The table below shows selected consolidated ratios for the Group for the three months ended 31 March in each of 2023 and 2022 and for the year ended 31 December in each of 2022, 2021 and 2020.

	For the three months ended 31 March		For the year ended 31 December		
	2023	2022	2022	2021	2020
(AED '000, except where expressed as a percentage)					
EBITDA[(1)]	338,362	188,818	1,283,525	670,011	188,312
Gross profit margin[(2)]	39.3%	37.2%	38.8%	32.5%	34.3%
Net profit margin[(3)]	20.9%	17.1%	22.1%	19.4%	20.9%

Notes:

(1) For a reconciliation of EBITDA to net profit for the period/year, see "*Selected Financial Information – Selected Alternative Performance Measures – EBITDA*".

(2) Calculated as gross profit divided by revenue and expressed as a percentage.

(3) Calculated as net profit for the period/year divided by revenue and expressed as a percentage.

EBITDA

The table below shows a reconciliation of the Group's EBITDA to its net profit for the three months ended 31 March in each of 2023 and 2022 and for the year ended 31 December in each of 2022, 2021 and 2020.

	For the three months ended 31 March		**For the year ended 31 December**		
	2023	**2022**	**2022**	**2021**	**2020**
(AED '000)			*(unaudited)*		
Net profit for the period/year.........	336,399	167,279	1,227,392	615,653	211,834
Add: Finance costs.........................	4,985	18,723	72,803	59,828	90,525
Add: Taxes.....................................	—	—	—	—	—
Add: Depreciation and amortisation..................................	4,427	3,740	16,993	13,386	6,923
Less: Reversal of provision for infrastructure cost..........................	—	—	—	—	115,930
Less: Other income.......................	7,449	924	33,663	18,856	5,040
EBITDA	**338,362**	**188,818**	**1,283,525**	**670,011**	**188,312**

FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the information set out in "Presentation of Financial and Other Information", "Selected Financial Information" and the Financial Statements.

The discussion of the Group's financial condition and results of operations is based upon the Financial Statements. This discussion contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Offering Circular, particularly under the headings "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors".

See "Presentation of Financial and Other Information" for a discussion of the source of the numbers presented in this section and certain other relevant information.

Overview

The Group, which includes Sobha LLC (a leading real estate developer in Dubai), commenced its first project in the UAE in the fourth quarter of 2013 and, as at 31 March 2023, had:

- completed and fully sold 10 projects, comprising 8.7 million square feet delivered with a sales value of AED 16.1 billion;
- 13 projects under development which are expected to be completed between the second quarter of 2023 and the second quarter of 2027, comprising 11.5 million square feet under construction with a sales value of AED 24.3 billion; and
- an available land bank (which is freehold) comprising 11.6 million square feet, which PNCI deems sufficient for planned projects over the next two to three years.

With its focus on delivering premium quality luxury developments for the mid- to high-end segment and achieving a "top 2" market position (in terms of sales value) in Dubai's private real estate segment, the Group's key differentiator is its entrenched and synergetic commercial relationships with related companies which allow it to efficiently procure capabilities required to deliver a real estate project from conceptualisation to completion (including design and architecture services, construction contractors including mechanical, electrical and plumbing ("**MEP**"), landscaping, manufacturing for furniture, interiors and facades, facility management, short-term lease management services and security services). The Group is therefore uniquely positioned to phase out the majority of third-party sub-contractors, which are typical for real estate developers, and ensure timely finishing to a high specification. The success of this approach is reflected in the Group's competitive position as the second largest private real estate developer in Dubai in 2022 (according to the Group's in-house market research data) as well as its industry recognition (including being awarded the Developer of the Year in 2021 by Construction Week and the Best Luxury Developer in 2020 by the Forbes Top Real Estate Companies in Middle East).

Principal Factors Affecting Results of Operations

The following is a discussion of the principal factors that have affected, or are expected to affect, the Group's results of operations.

Factors affecting revenue

The Group's principal source of revenue for the three months ended 31 March in each of 2023 and 2022 and for the year ended 31 December in each of 2022, 2021 and 2020 was proceeds from the sale of residential units. The table below shows the Group's units sold and completed and the sales value collected and revenue recognised in each year since 2020:

	2022	2021	2020
No. of units sold	5,674	2,207	455
Total sales value (*AED millions*)	10,822	4,383	944
Total sales value collected (*AED millions*)	3,854	1,539	490

	2022	2021	2020
Revenue recognised (*AED millions*).....................	5,550	3,166	1,014

The Group recognises revenue to the extent 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

As an initial step in respect of revenue recognition, the Group seeks to identify the relevant revenue-generating contract with a customer as well as the performance obligations in the contract (i.e., the sale of the residential unit to the customer). Following this, the Group determines the transaction price for such performance obligations. The Group recognises revenue when (or as) the Group satisfies such performance obligations. Accordingly, the Group begins recognising individual residential unit sales as revenue in its consolidated statement of comprehensive income based on the progress of construction on the relevant development in accordance with IFRS. The Group continues to recognise revenue over the life of the development on a percentage of completion basis.

In terms of cash collections, customers make payments according to the terms of the relevant purchase contract. Collection during the construction period is approximately 65 per cent. of the purchase price and comprises the initial deposit and additional payments due on specified dates, with the final payment due upon handover of the completed unit.

The Group's sales backlog, together with the construction schedules for its projects, provide it with visibility over its revenue in the short- and medium-term. However, the conversion of the Group's sales backlog to revenue and then to cash is ultimately dependent upon the timely and successful completion of the construction of its projects. Although the Group has handed over units to customers ahead of schedule for the majority of its projects, the Group may experience construction delays in the ordinary course of business and, while such delays may be made up in subsequent stages of a project, delays can have a significant impact on the associated timing of revenue recognition, which could lead to potentially significant fluctuations in the Group's financial results on a periodic basis (see further "*Risk Factors – Risk Factors Relating to the Group's Business – The Group's projects may be delayed, suspended, terminated or materially changed in scope, resulting in delayed recognition of revenue and damage to its reputation*").

Revenue from services

The Group recognises revenue from rendering of services on the basis of the contracts relating to the services provided.

Pricing and sales

The sales prices the Group achieves on its projects have a significant impact on its levels of revenue, gross profit and margins. Accordingly, the extent to which the Group's sales and marketing team creates demand for the Group's projects has a direct impact on the prices and the sales volume the Group can achieve. As at 31 March 2023, the Group had pre-sold approximately 62 per cent. of its projects under development and had a sales backlog of AED 8,646 million.

Different project types produce different profitability profiles. The Group's projects contain different types and configurations of residential living arrangements, including villas, townhouses and apartments. In addition to the configurations themselves and the type of development in which they are located (for example, single family home or low- or high-rise buildings), the location of the project and its amenities also have an impact on the prices of the units. In addition, sales prices typically increase over the course of the project development process, both at the development and master plan levels.

However, the pricing and sales of the Group's projects may be affected by factors outside the Group's control, including macroeconomic conditions in Dubai and the UAE (see further "*Risk Factors – Risk Factors Relating to the Group's Business – All of the Group's completed and under development property portfolio is located in Dubai and the Group's financial performance is therefore dependent on economic and political conditions in Dubai, the UAE and the surrounding regions*" and "*Risk Factors – Risk Factors*

Relating to the Group's Business – The concentration of the Group's property portfolio exposes it to fluctuations in demand for residential real estate in Dubai and the UAE"). Similarly, the Group's competitors may lower their pricing for developments which are comparable to those which the Group is selling, which could result in downward pressure on the Group's pricing (see further "*Risk Factors – Risk Factors Relating to the Group's Business – The Group faces competition in property development*").

Cost control

The Group's profit margins are directly correlated to its ability to manage its costs and to make cost-effective purchasing decisions. For instance, the Group's costs and margins are impacted by raw material and basic input costs which are tied to international commodities prices and thus can fluctuate widely at different points in the economic cycle (see further "*Risk Factors – Risk Factors Relating to the Group's Business – The Group has experienced and may continue to experience contract prices that exceed its original budgets which may affect the profitability of its developments*").

The most important factor in this regard is the Group's backward integrated model which enables effective cost management and almost end-to-end supply chain visibility while also allowing the Group to leverage the scale across its integrated model to ensure the best possible procurement terms for any third party goods or services, whether through strategic alliances with local and international suppliers or through other cost-management methods such as bulk ordering of raw materials and maintaining stock in the Related Companies' warehouse facilities.

Recent Developments

PNCI holds the beneficial interest in 48.58 per cent. shares of Sobha Limited, India although the legal ownership of such shares continues to vest with the Menon family (see note 9 to the 2022 Financial Statements). As at the date of this Offering Circular, PNCI is in the process of considering if its beneficial interest in such shares should be transferred back to the Menon family. Although PNCI anticipates that such transfer will be concluded in the short- to medium-term, there is no assurance that the transfer will be completed within that timeframe or at all. Should such a transfer be effected, the value of such transfer will not be included within PNCI's dividend distribution policy limit of 30 per cent. of its annual consolidated net income (see further "*Description of the Group's Business – Shareholding and Group Structure – Dividend distribution policy*").

Significant Accounting Policies

The Annual Financial Statements have been prepared in accordance with IFRS. For a discussion of the significant accounting policies applied by the Group generally, see and note 4 to the 2022 Financial Statements.

Critical Accounting Judgments and Estimates

In preparing the Group's financial statements, management is required to make certain estimates, judgments and assumptions. These affect the reported amounts of the Group's assets and liabilities, including disclosure of contingent assets and liabilities, at the date of the financial statements as well as the reported amounts of its revenues and expenses during the periods presented. Management bases its estimates and assumptions on historical experience and other factors that it believes to be reasonable at the time the estimates and assumptions are made and evaluates the estimates and assumptions on an ongoing basis. However, future events and their effects cannot be predicted with certainty and the determination of appropriate estimates and assumptions requires the use of judgment. Actual outcomes may differ from any estimates or assumptions made and such differences may be material to the financial statements. For a discussion of the most significant accounting estimates, judgments and assumptions made in the preparation of the Group's financial statements, see note 4.20 and note 4.21 to the 2022 Financial Statements.

Results of Operations

Revenue

The Group's revenue is principally derived from the sale of residential units and is recognised in accordance with IFRS 15 over the period of construction. The Group's revenue has increased significantly since 2020 as a result of an increase in the units sold by the Group as well as an increase in the Group's pricing levels for new projects (see "*Financial Review – Principal Factors Affecting Results of Operations – Factors* *affecting revenue*"). The increase in units sold as well as pricing levels is, in turn, attributable to the natural lifecycle of the Group's business growth as it completes existing projects and launches new projects as well as word-of-mouth publicity by existing customers resulting in the Group being able to outperform the market and its peers and continuously gain market share while commanding premium pricing from customers (see "*Description of the Group's Business – Key Credit Strengths – Strong acceptance and brand recognition due to track record of delivering iconic and superior-quality projects*"). This growth in the Group's business is also reflected in the increase in the Group's direct costs (particularly development cost of villas and properties) as well as other expenses (particularly administrative and general expenses as well as selling and marketing expenses) over the same period.

The table below shows the Group's revenue for the three months ended 31 March in each of 2023 and 2022 and for the year ended 31 December in each of 2022, 2021 and 2020.

	For the three months ended 31 March		**For the year ended 31 December**		
	2023	**2022**	**2022**	**2021**	**2020**
(AED '000)	*(unaudited)*				
Revenue from sale of apartments and villas	1,609,154	983,964	5,555,096	3,180,475	1,125,422
Less: Units cancelled during the period/year[1]	(2,145)	(5,242)	(11,874)	(17,992)	(112,782)
Revenue from security services	2,036	1,058	6,953	3,467	1,072
	1,609,045	**979,780**	**5,550,175**	**3,165,950**	**1,013,712**

Notes:

(1) Represents revenue from sales and purchase agreements which were cancelled as a result of customer defaults.

For the three months ended 31 March 2023, the Group's revenue increased by AED 629 million, or 64.2 per cent., compared to the three months ended 31 March 2022. This increase was principally attributable to a general increase in real estate market sales as well as an increase in the Group's share of such sales.

For the year ended 31 December 2022, the Group's revenue increased by AED 2,384 million, or 75.3 per cent., compared to the year ended 31 December 2021. This increase was principally attributable to a general increase in real estate market sales as well as an increase in the Group's share of such sales.

For the year ended 31 December 2021, the Group's revenue increased by AED 2,152 million, or 212.3 per cent., compared to the year ended 31 December 2020. This increase was principally attributable to the completion and full handover of a number of projects in 2021 (including Greens Phase III, Villa Phase II, Townhouse and Creek Vistas in Sobha Hartland) as well as the launch and partial sale of new projects (including Sobha Waves, Sobha Waves Grande and Villa Phases III and IV in Sobha Hartland and The S) during the year.

Direct costs

The Group's direct costs principally comprise the costs it incurs in the construction of the residential units which it sells and is also recognised over the period of construction. The table below shows the Group's direct costs for the three months ended 31 March in each of 2023 and 2022 and for the year ended 31 December in each of 2022, 2021 and 2020.

	For the three months ended 31 March		**For the year ended 31 December**		
	2023	**2022**	**2022**	**2021**	**2020**
(AED '000)	*(unaudited)*				
Development cost of villas and properties	976,200	617,586	3,397,123	2,144,077	730,726
Less: Cost of units cancelled during the period/year[1]	(1,310)	(3,310)	(4,589)	(10,940)	(65,605)
Other direct costs	1,764	782	4,696	2,665	985

	For the three months ended 31 March		For the year ended 31 December		
	2023	2022	2022	2021	2020
(AED '000)	*(unaudited)*				
	976,654	**615,058**	**3,397,230**	**2,135,802**	**666,106**

Notes:

(1) Represents direct costs relating to sales and purchase agreements which were cancelled as a result of customer defaults.

For the three months ended 31 March 2023, the Group's direct costs increased by AED 361 million, or 58.8 per cent., compared to the three months ended 31 March 2022. This increase was principally attributable to the land and construction costs associated with the completion and full handover of a number of projects in 2023 (including Creek Vista Reserve in Sobha Hartland) as well as the launch and progress of new projects during the period (including Villas I in Hartland II and Verde by Sobha).

For the year ended 31 December 2022, the Group's direct costs increased by AED 1,261 million, or 59.1 per cent., compared to the year ended 31 December 2021. This increase was principally attributable to the land and construction costs associated with the completion and full handover of a number of projects in 2022 as well as the launch and progress of new projects during the year (including Sobha Waves Opulence, The Crest, The Crest Grande, Creek Vista Grande and Creek Vista Heights in Sobha Hartland, Sobha One and SeaHaven – Tower A).

For the year ended 31 December 2021, the Group's direct costs increased by AED 1,469 million, or 220.6 per cent., compared to the year ended 31 December 2020. This increase was principally attributable to the land and construction costs associated with the completion and full handover of a number of projects in 2021 (including Greens Phase III, Villa Phase II, Townhouse and Creek Vistas in Sobha Hartland) as well as the launch and progress of new projects during the year (including Sobha Waves, Sobha Waves Grande and Villa Phases III and IV in Sobha Hartland and The S).

Gross profit

Reflecting the above factors:

- for the three months ended 31 March 2023, the Group's gross profit increased by AED 267 million, or 73.4 per cent., compared to the three months ended 31 March 2022;
- for the year ended 31 December 2022, the Group's gross profit increased by AED 1,122 million, or 109.0 per cent., compared to the year ended 31 December 2021; and
- for the year ended 31 December 2021, the Group's gross profit increased by AED 682 million, or 196.4 per cent., compared to the year ended 31 December 2020.

The Group's gross profit margins were 39.3 per cent. for the three months ended 31 March 2023, 38.8 per cent. for the year ended 31 December 2022, 32.5 per cent. for the year ended 31 December 2021 and 34.3 per cent. for the year ended 31 December 2020.

Other expenses and income

The table below shows the Group's other expenses and income the three months ended 31 March in each of 2023 and 2022 and for the year ended 31 December in each of 2022, 2021 and 2020.

	For the three months ended 31 March		For the year ended 31 December		
	2023	2022	2022	2021	2020
(AED '000)	*(unaudited)*				
Gross profit	**632,391**	**364,722**	**2,152,945**	**1,030,148**	**347,606**
Administrative and general expenses	(121,464)	(65,318)	(294,783)	(158,685)	(102,049)
Depreciation and amortisation	(4,427)	(3,740)	(16,993)	(13,386)	(6,923)
Selling and marketing expenses	(172,565)	(110,586)	(652,496)	(251,959)	(84,379)

	For the three months ended 31 March		For the year ended 31 December		
	2023	2022	2022	2021	2020
(AED '000)	*(unaudited)*				
Finance costs – net	(4,985)	(18,723)	(72,803)	(59,828)	(90,525)
Gain on fair value of investment properties	—	—	77,859	50,507	27,134
Other income	7,449	924	33,663	18,856	120,970
Net profit for the period/year	**336,399**	**167,279**	**1,227,392**	**615,653**	**211,834**

Administrative and general expenses

The table below shows the Group's administrative and general expenses for the three months ended 31 March in each of 2023 and 2022 and for the year ended 31 December in each of 2022, 2021 and 2020.

	For the three months ended 31 March		For the year ended 31 December		
	2023	2022	2022	2021	2020
(AED '000)	*(unaudited)*				
Salaries and other benefits	44,646	32,138	153,258	93,179	65,707
Commission expense	54,950	23,198	85,702	37,044	11,389
Administration and management fee	4,832	2,436	14,487	7,598	11,478
Repairs and maintenance	2,432	1,614	12,599	7,834	1,037
Legal and professional	2,210	568	5,147	1,358	2,476
Rent	193	251	799	1,184	1,175
Other	12,201	5,113	22,791	10,488	8,787
	121,464	**65,318**	**294,783**	**158,685**	**102,049**

For the three months ended 31 March 2023, the Group's administrative and general expenses increased by AED 56 million, or 85.9 per cent., compared to the three months ended 31 March 2022. This increase was principally attributable to an increase in employee count, bonus distributed to employees and an increase in commission expense corresponding to the increase in sales in 2023 as compared to 2022.

For the year ended 31 December 2022, the Group's administrative and general expenses increased by AED 136 million, or 85.8 per cent., compared to the year ended 31 December 2021. This increase was principally attributable to an increase in the employee cost due to increase in employee count, bonus distributed to employees and an increase in commission expense corresponding to the increase in sales in 2022 as compared to 2021.

For the year ended 31 December 2021, the Group's administrative and general expenses increased by AED 56 million, or 55.5 per cent., compared to the year ended 31 December 2020. This increase was principally attributable to an increase in the employee cost due to increase in employee count, bonus distributed to employees and an increase in commission expense corresponding to the increase in sales in 2021 as compared to 2020.

Selling and marketing expenses

The table below shows the Group's selling and marketing expenses for the three months ended 31 March in each of 2023 and 2022 and for the year ended 31 December in each of 2022, 2021 and 2020.

	For the three months ended 31 March		For the year ended 31 December		
	2023	2022	2022	2021	2020
(AED '000)	*(unaudited)*				
Commission expense	136,257	73,769	544,705	155,002	38,422
Advertisement and marketing	31,429	22,006	91,925	56,231	32,008

(AED '000)	For the three months ended 31 March 2023 (unaudited)	2022	For the year ended 31 December 2022	2021	2020
Business promotion	4,879	14,811	15,866	40,726	13,949
	172,565	**110,586**	**652,496**	**251,959**	**84,379**

For the three months ended 31 March 2023, the Group's selling and marketing expenses increased by AED 61 million, or 56.0 per cent., compared to the three months ended 31 March 2022. This increase was principally attributable to an increase in commission expense and marketing cost due to a corresponding increase in sales.

For the year ended 31 December 2022, the Group's selling and marketing expenses increased by AED 400 million, or 159.0 per cent., compared to the year ended 31 December 2021. This increase was principally attributable to an increase in commission expense and marketing cost due to a corresponding increase in sales.

For the year ended 31 December 2021, the Group's selling and marketing expenses increased by AED 167 million, or 198.6 per cent., compared to the year ended 31 December 2020. This increase was principally attributable to an increase in commission expense and marketing cost due to a corresponding increase in sales.

Gain on fair value of investment properties

The Group's investment properties are recognised at fair value. These properties are fair valued annually on the basis of market value (if readily available) or by an independent professionally qualified valuation firm with experience in property valuations in the locations and segments of the properties being valued and in compliance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors. The fair value of each of the Group's investment properties reflects its gross development value when completed after deducting all construction costs and finance costs associated with the property. Any change in the fair value of the Group's investment properties from year to year is recognised in the Group's statement of comprehensive income.

For the year ended 31 December 2022, the Group's gain on fair value of investment properties increased by AED 27 million, or 54.2 per cent., compared to the year ended 31 December 2021. This increase was principally attributable to an increase in the fair value of land following the annual valuation.

For the year ended 31 December 2021, the Group's gain on fair value of investment properties increased by AED 23 million, or 86.1 per cent., compared to the year ended 31 December 2020. This increase was principally attributable to the gradual revival of market demand for real estate properties post the COVID-19 pandemic.

Other income

The table below shows the Group's other income for the three months ended 31 March in each of 2023 and 2022 and for the year ended 31 December in each of 2022, 2021 and 2020.

	For the three months ended 31 March		**For the year ended 31 December**		
	2023	**2022**	**2022**	**2021**	**2020**
(AED '000)	*(unaudited)*				
Income from terminated units[(1)]	7,449	924	33,663	18,856	5,004
Reversal of provision for infrastructure costs	—	—	—	—	115,930
Other	—	—	—	—	36
	7,449	**924**	**33,663**	**18,856**	**120,970**

Notes:

(1) Represents late payment charges on due instalments (collected from customers) and advances paid by customers and forfeited due to customer defaults in respect of the sale and purchase agreement payment terms.

For the three months ended 31 March 2023, the Group's other income increased by AED 6 million, or 706.2 per cent., compared to the three months ended 31 March 2022. This increase was principally attributable to higher cancellations and interest on delayed collections (and was in line with the increase in the Group's revenue and collections during the period).

For the year ended 31 December 2022, the Group's other income increased by AED 14 million, or 78.5 per cent., compared to the year ended 31 December 2021. This increase was principally attributable to an increase in customer advances forfeited due to customer defaults in respect of sale and purchase payment terms.

For the year ended 31 December 2021, the Group's other income decreased by AED 102 million, or 84.4 per cent., compared to the year ended 31 December 2020. This decrease was principally attributable to a non-recurring provision reversal in 2020.

Net profit

Reflecting the above factors:

- for the three months ended 31 March 2023, the Group's net profit increased by AED 169 million, or 101.1 per cent., compared to the three months ended 31 March 2022;
- for the year ended 31 December 2022, the Group's net profit increased by AED 611 million, or 99.4 per cent., compared to the year ended 31 December 2021; and
- for the year ended 31 December 2021, the Group's net profit increased by AED 403 million, or 190.6 per cent., compared to the year ended 31 December 2020.

The Group's net profit margins were 20.9 per cent. for the three months ended 31 March 2023, 22.1 per cent. for the year ended 31 December 2022, 19.4 per cent. for the year ended 31 December 2021 and 20.9 per cent. for the year ended 31 December 2020.

Analysis of Certain Consolidated Statement of Financial Position Items

Assets

The Group's principal assets are its trade and other receivables, investment properties and properties under development which, together, accounted for 79.9 per cent. of the Group's total assets as at 31 March 2023 (compared to 80.3 per cent. as at 31 December 2022, 76.3 per cent. as at 31 December 2021 and 84.2 per cent. as at 31 December 2020). The table below shows the Group's trade and other receivables, investment properties and properties under development as at 31 March 2023 and as at 31 December in each of 2022, 2021 and 2020.

	As at 31 March	**As at 31 December**		
	2023	**2022**	**2021**	**2020**
(AED '000)	*(unaudited)*			
Total assets	**10,061,798**	**10,102,859**	**10,022,590**	**8,420,677**
Of which:				
Trade and other receivables	5,539,362	5,286,478	3,394,596	1,629,668
Investment properties	1,193,201	1,303,186	2,712,198	3,494,085
Properties under development (non-current and current)	1,305,274	1,520,735	1,539,204	1,963,457

Trade and other receivables

Trade and other receivables principally comprise amounts that are receivable from customers. In accordance with IFRS and the accounting policy adopted by the Group, the revenue for the accounting period is recognised in proportion to the construction works executed. Hence, actual sales in a particular period are recognised over the lifecycle of the project in proportion to the construction works completed. Trade receivables are calculated as cumulative revenue recognised until the end of the relevant period, less amounts received from customers. Such trade receivables also accumulate the amounts which are not due from the customers. The customers are obligated to complete payments in accordance with their respective payments plans. The table below shows the Group's trade and other receivables as at 31 March 2023 and as at 31 December in each of 2022, 2021 and 2020.

	As at 31 March	**As at 31 December**		
	2023	**2022**	**2021**	**2020**
(AED '000)	*(unaudited)*			
Financial assets				
Trade receivables	5,051,990	4,960,512	3,233,882	1,530,415
Deposits	30,245	20,448	6,007	1,934
Other receivables	—	—	1,893	4,354
Staff advances	—	—	—	52
	5,082,235	**4,980,960**	**3,241,782**	**1,536,755**
Non-financial assets				
Prepayments	16,949	13,577	13,360	13,896
Advance to suppliers	89,491	62,358	20,049	22,820
Advances	30,906	4,828	21,728	—
VAT receivable	33,996	33,903	12,890	18,838
Deferred expenses	284,359	188,359	84,787	37,359
Staff advances	1,426	2,493	—	—
	457,127	**305,518**	**152,814**	**92,913**
	5,539,362	**5,286,478**	**3,394,596**	**1,629,668**

The Group's exposure to credit risk in respect of trade receivables is mainly influenced by the individual characteristics of its customers. However, the Group's policy is to collect advances from its customers on a periodic basis and title transfer of properties to customers takes place only after final settlement of all dues by them.

Dubai Law No. (19) of 2017 amending Dubai Law No. (13) of 2008 Regulating the Interim Real Property Register in the Emirate of Dubai outlines the process which developers must follow to terminate off-plan sale and purchase agreements in the case of customer defaults. Upon the occurrence of a customer payment default, the developer is required to inform the DLD of such occurrence as well as information about the purchaser, the developer and the property in question. The DLD initiates a review on the basis of this information and, once the default has been verified, it serves a written notice on the defaulting purchaser for rectifying the default within 30 days of the notice. During this period, the DLD may also facilitate an amicable settlement between the defaulting purchaser and the developer. If such settlement is reached, a settlement agreement setting out the terms thereof is entered into by the defaulting purchaser and the developer. If no such settlement is reached and the default persists beyond the 30 day period, the DLD issues a report affirming the developer's compliance with Dubai Law No. (19) of 2017 and the current completion percentage of the property. On the basis of this report and upon the developer's request following its receipt of this report, the DLD de-registers the relevant sale and purchase agreement (without requiring any court or tribunal order or direction) in the following manner:

Construction completion %	**Termination process**
>80%	Developer can choose to continue with the sale and purchase agreement, retaining all amounts received to-date and requesting outstanding payments from the purchaser. Alternatively, the developer may request the DLD to sell the property through a public auction and offset the proceeds against the outstanding purchase price. The developer also has the option to unilaterally terminate the sale and

	purchase agreement and retain 40 per cent. of the purchase price (with the excess amounts already paid to be refunded to the purchaser within a specified timeframe)
60%-80%	The developer has the option to unilaterally terminate the sale and purchase agreement and retain 40 per cent. of the purchase price (with the excess amounts already paid to be refunded to the purchaser within a specified timeframe)
<60%	The developer has the option to unilaterally terminate the sale and purchase agreement and retain 25 per cent. of the purchase price (with the excess amounts already paid to be refunded to the purchaser within a specified timeframe)
Not commenced	The developer has the option to unilaterally terminate the sale and purchase agreement and retain 30 per cent. of the amount already paid (with the remaining amount to be refunded to the purchaser within a specified timeframe)
Cancelled by RERA	The developer must refund all payments received

Purchasers have the right to challenge the termination of their sale and purchase agreement if they believe it was not done in good faith, allowing them to approach the courts or resort to arbitration for resolution.

Accordingly, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics and, based on historical information about customer default rates, the Group considers the credit quality of trade receivables that are not past due or impaired to be good. As at 31 March 2023, 31 December 2022 and 31 December 2021, none of the Group's trade receivables were classified by the Group as past due and impaired.

Investment properties

Land (including land held for undetermined use) and buildings held by the Group for capital appreciation is classified as investment property. Investment property is initially recognised at cost, including related transaction costs, and thereafter is measured at fair value in accordance with IAS 40: *Investment Property*.

Valuations of the Group's investment property are conducted annually on the basis of market value (if readily available) or by an independent professionally qualified valuation firm with experience in property valuations in the locations and segments of the properties being valued and in compliance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors. Any gain or loss arising from the fair valuation is recognised in the consolidated statement of comprehensive income.

When the Group commences the development of an investment property, such property is classified under properties under development until development is complete (at which time the property is transferred to the appropriate category).

Fluctuations in the Group's investment property since 2020 are primarily attributable to fair value gains/losses as well as re-classification of investment property as property under development. In addition, in 2022, the Group also entered into transfer agreements with one of its shareholders in respect of the acquisition and disposal of certain investment properties. For further details in respect of the Group's investment properties, see note 6 to the Interim Financial Statements and note 7 to the 2022 Financial Statements.

Properties under development

Land or buildings identified as under construction for sale are classified as properties under development. These properties are stated at the lower of cost and estimated net realisable value. For this purpose, cost comprises 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 while estimated net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated selling expenses.

The amount of any write-down of 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 provisioning arising from an increase in net realisable value is recognised in the consolidated profit or loss for the period in which the increase takes place.

Properties under development may be transferred to:

- investment property where these is a change in use of the property and it becomes held for rental or capital appreciation or both; or

- property and equipment where the property becomes owner occupied.

Transfers of properties under development to investment property are made at fair value and any gain arising on the transfer is recognised in the consolidated statement of comprehensive income at the time of the transfer. Transfers of properties under development to property and equipment are made at the carrying value of the property at the date of transfer.

For further details in respect of the Group's properties under development, see note 7 to the Interim Financial Statements and note 8 to the 2022 Financial Statements.

Liabilities

The Group's principal liabilities are its borrowings which accounted for 66.7 per cent. of the Group's total liabilities as at 31 March 2023 (compared to 67.9 per cent. as at 31 December 2022, 81.9 per cent. as at 31 December 2021 and 84.7 per cent. as at 31 December 2020). Unlike most other real estate developers, the Group does not have significant liabilities categorised as trade and other payables due to its backward integrated model.

Borrowings

The table below shows the Group's borrowings as at 31 March 2023 and as at 31 December in each of 2022, 2021 and 2020.

	As at 31 March	**As at 31 December**		
	2023	**2022**	**2021**	**2020**
(AED '000)	*(unaudited)*			
Total liabilities	**2,713,455**	**2,766,983**	**2,999,061**	**3,085,636**
Borrowings				
Term finance	1,640,673	1,667,148	1,984,547	2,219,610
Current	*158,249*	*177,474*	*206,433*	*1,522,819*
Non-current	*1,482,424*	*1,489,674*	*1,778,114*	*696,791*
Ijarah finance	—	—	182,975	55,021
Current	—	—	*91,625*	*17,898*
Non-current	—	—	*91,350*	*37,123*
Foreign currency loan	170,020	210,342	288,268	313,061
Current	*122,807*	*121,038*	*81,162*	*313,061*
Non-current	*47,213*	*89,304*	*207,106*	—
Mortgage loan	—	—	—	26,680
Current	—	—	—	*7,406*
Non-current	—	—	—	*19,274*
	1,810,693	**1,877,490**	**2,455,790**	**2,614,372**
Of which:				
Current	281,056	298,512	379,220	1,861,184
Non-current	1,529,637	1,578,978	2,076,570	753,188

The table below shows the movement in the Group's borrowings as at 31 March 2023 and as at 31 December in each of 2022, 2021 and 2020.

(AED '000)	As at 31 March 2023 (unaudited)	As at 31 December 2022	2021	2020
Opening balance	1,877,490	2,455,790	2,614,372	3,010,545
Additions during the period/year	240,182	105,000	21,960	1,413,712
On transfer of subsidiaries	—	—	—	(91,573)
Repaid by the shareholder on behalf of the Group	—	—	—	(908,000)
Interest expense on borrowings	15,772	130,863	145,977	186,054
Repayments during the year	(322,751)	(814,163)	(326,519)	(996,366)
Closing balance	**1,810,693**	**1,877,490**	**2,455,790**	**2,614,372**

The table below shows the maturity profile of the Group's borrowings as at 31 March 2023.

	As at 31 March 2023	
	(AED '000)	*(per cent.)*
Repayable within 12 months	186,642	10.3
Repayable between 1 and 3 years	1,517,922	83.8
Repayable between 3 and 5 years	106,129	5.9
Repayable after 5 years	—	—
	1,810,693	**100.0**

For further details in respect of the Group's borrowings (including security granted for the Group's borrowing facilities), see note 19 to the Interim Financial Statements and note 20 to the 2022 Financial Statements.

Equity

As at 31 March 2023, PNCI's authorised, issued and fully paid-up share capital amounted to AED 300,000 and comprised 300 shares of AED 1,000 each. As at the same date, the Group's retained earnings amounted to AED 5,597 million. Under UAE law and PNCI's articles of association, a minimum of 5 per cent. of PNCI's net profit each year must be allocated to a statutory reserve, which is not distributable. This allocation is no longer required when the statutory reserve reaches 50 per cent. of the Group's paid-up capital. As at 31 March 2023, PNCI's statutory reserve amounted to AED 150,000.

Liquidity

The Group's principal liquidity requirements arise from the need to fund the development of its projects and the Group funds these requirements through pre-sales of its residential units as well as through bank borrowings.

Following the sale of a residential unit, customer payments are held in an escrow account. All construction payments are made from the associated project escrow account. The Group is permitted to withdraw cash from its escrow accounts before project completion to the extent that the relevant balance exceeds the construction costs remaining on the project (and subject to such withdrawal being approved by the DLD). The Group is required to maintain an amount equal to 5 per cent. of construction costs of the relevant project in the associated escrow account for a period of one year following completion of the project.

Cash flow

The table below summarises the Group's consolidated statement of cash flows for the three months ended 31 March in each of 2023 and 2022 and for the year ended 31 December in each of 2022, 2021 and 2020.

(AED '000)	For the three months ended 31 March		For the year ended 31 December		
	2023	2022	2022	2021	2020
	(unaudited)				
Net cash from/(used in) operating activities	659,410	262,727	1,408,025	507,219	(735,321)
Net cash (used in) investing activities	(238,422)	(2,176)	(169,275)	(16,271)	(4,240)
Net cash (used in)/from financing activities	(84,244)	(146,733)	(796,632)	(316,856)	411,078
Net change in cash and cash equivalents....................................	**336,744**	**113,818**	**442,118**	**174,092**	**(328,483)**
Cash and cash equivalents, beginning of period/year	679,155	237,037	237,037	62,945	391,428
Cash and cash equivalents, end of period/year	**1,015,899**	**350,855**	**679,155**	**237,037**	**62,945**

Net cash from/(used in) operating activities

For the three months ended 31 March 2023, the Group's net cash from operating activities increased by AED 397 million, or 151.1 per cent., compared to the three months ended 31 March 2022. This increase was principally attributable to a higher revenue and profitability.

For the year ended 31 December 2022, the Group's net cash from operating activities increased by AED 900 million, or 177.6 per cent., compared to the year ended 31 December 2021. This increase was principally attributable to higher profit from increased revenue and sales.

For the year ended 31 December 2021, the Group's net cash from operating activities was AED 507 million, compared to net cash used in operating activities of AED 735 million for the year ended 31 December 2020. This change was principally attributable to an increase in the Group's revenue and collections.

Net cash (used in) investing activities

For the three months ended 31 March 2023, the Group's net cash used in investing activities increased by AED 236 million, or 10,856.9 per cent., compared to the three months ended 31 March 2022. This increase was principally attributable to higher net additions to the Group's investment properties.

For the year ended 31 December 2022, the Group's net cash used in investing activities increased by AED 153 million, or 940.3 per cent., compared to the year ended 31 December 2021. This increase was principally attributable to an increase in the Group's investment properties.

For the year ended 31 December 2021, the Group's net cash used in investing activities increased by AED 12 million, or 283.8 per cent., compared to the year ended 31 December 2020. This increase was principally attributable to advances paid towards acquisition of shares from minority shareholders.

Net cash (used in)/from financing activities

For the three months ended 31 March 2023, the Group's net cash used in financing activities decreased by AED 62 million, or 42.6 per cent., compared to the three months ended 31 March 2022. This decrease was principally attributable to drawdowns under loan facilities.

For the year ended 31 December 2022, the Group's net cash used in financing activities increased by AED 479 million, or 151.4 per cent., compared to the year ended 31 December 2021. This increase was principally attributable to an increase in the repayment of the Group's loans.

For the year ended 31 December 2021, the Group's net cash used in financing activities was AED 316 million, compared to net cash from financing activities of AED 411 million for the year ended 31 December 2020. This change was principally attributable to repayment of borrowings during the year.

Contingent Liabilities and Capital Commitments

The table below shows the Group's contingent liabilities and capital commitments as at 31 March 2023 and as at 31 December in each of 2022, 2021 and 2020.

	As at 31 March	As at 31 December		
	2023	2022	2021	2020
(AED '000)	*(unaudited)*			
Capital commitments for properties under development	7,616,047	5,677,502	2,467,571	681,453
Capital commitments for properties and equipment	—	—	13,025	—
Capital commitments for purchase of land	460,000	460,000	—	—
Guarantee cheques[1]	—	—	37,605	37,605
Letter of guarantee	—	—	1,989	1,989

Notes:

(1) Represents guarantee given to Meraas Estates LLC towards purchase of land commitment.

The Group's capital commitments represent the value of the contracts issued as at the reporting date, net of invoices received and accruals made at that date. No assurance can be given as to the actual amounts of capital expenditure that may be incurred in future periods. The timing and amount of capital expenditure is highly dependent on market conditions, the progress of projects, new opportunities that may arise and a range of other factors outside the control of the Group.

Related Party Transactions

The Group's principal related party transactions are with its shareholders, its executive management and entities controlled by any of them. Transactions with related parties usually comprise transfer of resources, services or obligations between the parties (such as construction and development expenses and project design and supervision fee) and are measured at amounts agreed by both parties on an arm's length basis. For further details in respect of the Group's related party transactions, see note 12 to the Interim Financial Statements and note 13 to the 2022 Financial Statements.

Disclosures about Financial Risk

The Group is exposed to market risks, credit risks and liquidity risks as summarised below. For further details in respect of the Group's exposure to these financial risks, see note 30 to the 2022 Financial Statements.

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 due to its use of financial instruments and, in particular, the Group is exposed to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

The Group mainly operates in the UAE and is exposed to foreign currency risk arising from foreign currency exposures with respect to Indian Rupee as the Group has investments in equity shares in that currency. The Group is exposed to interest rate risk with respect to its borrowings. For details on the impact of a +/- 1 per cent. change in interest rates in respect of the Group's borrowings as at and for the years ended 31 December 2022 and 31 December 2021, see note 30.1 to the 2022 Financial Statements. The Group is also exposed to price risk in respect of its investments in equity shares. For details on the impact of a +/- 5 per cent. change in interest rates in respect of the Group's investments in equity shares as at and for the years ended 31 December 2022 and 31 December 2021, see note 30.1 to the 2022 Financial Statements.

Credit risk

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 it recognises as at the relevant reporting date.

As at 31 December 2022, the Group's maximum exposure to credit risk was AED 5,684 million (compared to AED 3,502 million as at 31 December 2021). As at 31 December 2022, the Group was not exposed to any significant credit risk exposure to any single counterparties or group of counterparties having similar characteristics. The Group's exposure to credit risk is mainly influenced by the individual characteristics of its customers. However, the Group's policy is to collect advances from customers on a periodic basis and the handover of properties to customers only takes place after final settlement of all payments due.

Liquidity risk

Liquidity risk is the risk that a company will encounter difficulty in raising funds to meet commitments associated with financial instruments. 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.

DESCRIPTION OF THE GROUP'S BUSINESS

Overview

PNCI was incorporated in Dubai, UAE in 2011 as a limited liability company under Federal Law No. (8) of 1984 concerning Commercial Companies (as amended) with license number 661013 for an automatically renewable term of 25 years. It is the parent company of Sobha LLC, a leading real estate developer incorporated in Dubai, UAE and Sobha Lifestyle City Limited (see "*Description of the Group's Business – Shareholding and Group Structure*" for a description of key operating subsidiaries and affiliates and "*Description of the Group's Business – History*"). PNCI's registered office is at 13th Floor, Sobha Sapphire Building, Business Bay, P.O. Box 125250, Dubai, UAE and its switchboard telephone number is +971 4 423 8064.

The principal activities of the Group are real estate development and investment in land and properties. The Group commenced its first project in the UAE in the fourth quarter of 2013 and, as at 31 March 2023, had:

- completed and fully sold 10 projects, comprising 8.7 million square feet delivered with a sales value of AED 16.1 billion;
- 13 projects under development which are expected to be completed between the second quarter of 2023 and the second quarter of 2027, comprising 11.5 million square feet under construction with a sales value of AED 24.3 billion; and
- an available land bank (which is freehold) comprising 11.6 million square feet, which PNCI deems sufficient for planned projects over the next two to three years.

With its focus on delivering premium quality luxury developments for the mid- to high-end segment and achieving a "top 2" market position (in terms of sales value) in Dubai's private real estate segment, the Group's key differentiator is its entrenched and synergetic commercial relationships with related companies which allow it to efficiently procure capabilities required to deliver a real estate project from conceptualisation to completion (including design and architecture services, construction contractors including MEP, landscaping, manufacturing for furniture, interiors and facades, facility management, short-term lease management services and security services). The Group is therefore uniquely positioned to phase out the majority of third-party sub-contractors, which are typical for real estate developers, and ensure timely finishing to a high specification. The success of this approach is reflected in the Group's competitive position as the second largest private real estate developer in Dubai in 2022 (according to the Group's in-house market research data) as well as its industry recognition (including being awarded the Developer of the Year in 2021 by Construction Week and the Best Luxury Developer in 2020 by the Forbes Top Real Estate Companies in Middle East).

For the year ended 31 December 2022, the Group's revenue was AED 5,550 million and its net profit for the year was AED 1,227 million. For the year ended 31 December 2022, the Group's sales were AED 10,822 million. As at 31 December 2022, the Group's total assets were AED 10,102 million (of which, AED 1,303 million comprised investment properties and AED 1,520 million comprised properties under development) while its total liabilities were AED 2,767 million (of which, AED 1,877 million comprised borrowings).

History

The Group's principal milestones are set out below:

Year	Milestone
1976	Mr. PNC Menon's interior decoration firm was incorporated and commenced operations in Oman. This was the first step towards establishing a business empire that would span across continents.
1995	Sobha Limited (India) was incorporated to focus on real estate development and construction and it went on to become a major participant in the Indian real estate industry.
2011	PNCI was incorporated in Dubai, UAE to focus on developing luxury properties and real estate investments in Dubai and adjoining markets.

2013	The Group's first project, District One in Mohammed Bin Rashid City ("**MBR City**"), was commenced. The project was a significant undertaking that aimed to create a new luxury residential and commercial destination in Dubai.
2014	Sobha Hartland project was commenced, which was another high-profile project that aimed to create a new luxury residential destination in Dubai. The project featured state-of-the-art amenities and was designed to offer residents high standard of luxury living.
2018	District One was completed, marking a significant achievement for the Group. The project's success was a testament to the Group's ability to undertake large-scale developments.
2021	The S project was commenced, which aims to create a new luxury residential and commercial destination in Dubai.
2022	The Sobha One project was commenced as a high-end residential project. The SeaHaven project was commenced with the aim to create a new luxury waterfront destination. The Waves Opulence and Creek Vista Heights projects were launched.
2023	Verde by Sobha, an uber-luxury residential tower in Jumeirah Lake Towers, was launched. Hartland II, a community located near Sobha Hartland, was launched.

Shareholding and Group Structure

As at the date of this Offering Circular, Mr. PNC Menon held 53 per cent. of PNCI's outstanding share capital while Mrs. Sobha Menon held 47 per cent. of PNCI's outstanding share capital.

As at the date of this Offering Circular, the Group's key operating subsidiaries were:

- Sobha LLC – a limited liability company incorporated in March 2012 in Dubai, UAE, with PNCI holding 90 per cent. of its outstanding share capital and Mrs. Sobha Menon holding 10 per cent. of its outstanding share capital (although 100 per cent. of Sobha LLC's economic benefits are held by PNCI). Sobha LLC's principal activity is real estate development and this entity contributes almost all of the Group's revenues; and

- Sobha Lifestyle City Limited – a limited liability company incorporated in September 2011 in the Jebel Ali Free Zone, Dubai, UAE, with PNCI holding 78 per cent. of its outstanding share capital and other non-Menon family shareholders holding the remaining 22 per cent. of its outstanding share capital (with none of the investors holding more than 10 per cent.). As at the date of this Offering Circular, PNCI has entered into a share buyback agreement with the non-Menon family shareholders to purchase their shares such that PNCI will be the sole shareholder of Sobha Lifestyle. Sobha Lifestyle City Limited's principal activity is investment in land and properties.

As at the date of this Offering Circular, the Group's operations also involve the following related companies that have shareholders in common with PNCI ("**Related Companies**"):

- PNC Architects ("**PNC Architects**") – incorporated in January 2012 in the UAE, its principal activity is providing design and architecture services for real estate projects;

- Latinem Facilities Management LLC ("**Latinem Facilities Management**") – incorporated in February 2014 in the UAE, its principal activity is facility management (including provision of security services) and maintenance management of real estate developments;

- Sia Landscaping LLC ("**Sia Landscaping**") – incorporated in May 2014 in the UAE, its principal activity is providing landscaping services;

- Sobha Constructions LLC ("**Sobha Constructions**") – incorporated in November 2016 in the UAE, its principal activity is acting as the construction contractor for real estate developments;

- Sobha Furniture Industries LLC ("**Sobha Furniture**") – incorporated in October 2017 in the UAE, its principal activity is providing interior design services and furniture (such as wooden doors, vanity cabinets, wardrobes and kitchen cabinets) for real estate developments; and

- Sobha Facade Industries LLC ("**Sobha Facade**") – incorporated in April 2018 in the UAE, its principal activity is providing design, engineering, production and installation services in respect of façade systems for real estate developments.

The majority of the Related Companies provides services solely to the Group or to other Related Companies and such services are provided on an arm's-length basis. Latinem Facilities Management and Sia Landscaping also provide services to external parties but the revenue from such services is immaterial.

Dividend distribution policy

PNCI's dividend distribution policy is as follows:

- PNCI may distribute around 30 per cent. of its annual consolidated net income to its shareholders (the "**Distribution**"). Such Distribution shall be made no later than six months after the end of the financial year to which such Distribution relates or at such other intervals as the board of directors of PNCI (the "**Board**") may determine from time to time;

- the terms of any Distribution (including the final amount and timing of such Distribution) will at all times remain at the sole and absolute discretion of the Board, who will be required to approve each Distribution by a separate resolution declaring such Distribution. The final payment of any declared Distribution will be subject to final approval by PNCI's shareholders;

- the Board shall take into consideration various factors before declaring or making such Distribution, including (without limitation):

  - general economic and business conditions, PNCI's strategic objectives, its financial results and conditions, its cash requirements and the benefits of investing any future earnings in the development and growth of its business;

  - any legal requirements and any contractual obligations or limitations, whether currently applicable or which may become relevant in the future, which affect, or may affect, PNCI's ability to approve or make such Distribution;

  - the requirements of any future financing agreements to which PNCI may be a party; and

  - any other factors which the Board may deem relevant in respect of the Distribution in question.

Key Credit Strengths

The Group's key credit strengths are set out below.

Entrenched and synergetic commercial relationships with related companies

The Group has entrenched and synergetic commercial relationships with the Related Companies. The effect of such relationships is that the Group, together with the Related Companies, operates as a backward integrated real estate group. Such an arrangement gives the Group efficient and cost-effective access to all requisite key competencies and resources to deliver a project from conceptualisation to completion, including the design, engineering and contracting, material sourcing, craftsmanship and quality control stages.

For instance, a typical real estate developer model would include the following functionalities: permissions and licenses; land acquisition; demand and supply assessment (including mix-of-use assessment); and real estate development. The Group's model of integration with Related Companies includes the following additional functionalities: site and civil works; glass purchasing; curtain wall and window assembly; glass and roofing installation; cement purchasing; concrete batching; concrete mixing, transport and hoisting; concrete formwork, placing and finishing; structural works; building products procurement; mechanical, electrical and plumbing works; cabinet, doors and trim manufacturing; shop and field labour including wallboard, painting, carpets, tiles and carpentry; interior finishes work; engineering; general contracting; architecture; mortgage and loan brokerage; equity investment in projects; and property management. Therefore, within the real estate development cycle, the only key functionalities not currently included in the Group's in-house competencies are limited to heavy equipment manufacturing; float and plate glass manufacturing; cement manufacturing; building products manufacturing; and project lending.

This integration between the Group and the Related Companies allows effective quality control, timely delivery, supply chain control and cost control of projects which, in turn, has resulted in the Group being able to rapidly capture market share since commencement of operations in the UAE. Accordingly, the Group is able to benefit from quicker decision making and synergies in its execution of projects. In recognition of the Group's unique backward integrated model, Harvard Business School published a case study in respect of this model (titled "Sobha Group Real Estate: Backward Integration for Quality") in January 2019.

Access to premium land bank

The Group has historically acquired land parcels in prime locations (particularly through purchase on favourable terms during cyclical downturns). For instance, the majority of the Group's land bank as at the date of this Offering Circular is within a 3-5 kilometres radius of Downtown Dubai and therefore comprises premium land bank within Dubai and the UAE. The Group's policy is to maintain a land bank sufficient for at least two to three years of planned project launches and, when acquiring land, the Group proactively considers the options available to it in order to minimise the upfront capital outlay (including through joint ventures, partnerships, purchase on deferred payment basis or other commercial arrangements). For a description of the Group's land bank as at the date of this Offering Circular, see "*Description of the Group's Business – Land Bank*".

Strong acceptance and brand recognition due to track record of delivering iconic and superior-quality projects

The Group is particularly well-positioned to capitalise on two significant trends in the Dubai real estate development space:

- buyers are increasingly seeking higher quality, more spacious housing with a comprehensive amenity offering; and
- there is increased demand for off-plan sales as buyers are more comfortable taking a long-term view on the Dubai real estate market and seeking relative value for residential units.

Both trends are entirely aligned with the Group's value proposition. Since the commencement of its first project in 2013, the Group has successfully delivered a number of superior-quality villas and apartments within communities that provide market-leading amenities (see "*Description of the Group's Business – Projects and Pipeline*" for a description of the Group's key projects). This has resulted in a highly satisfied customer base of over 11,000 individual customers and word-of-mouth publicity for the Group's ongoing and future projects as well as industry recognition of the Group's brand and market position (including being awarded the Developer of the Year in 2021 by Construction Week and the Best Luxury Developer in 2020 by the Forbes Top Real Estate Companies in Middle East).

Accordingly, not only have the Group's projects tended to trade at higher prices in the secondary market (further elevating the "Sobha" brand), but the Group has also been able to command a price premium for its projects compared to similar properties by other developers in the UAE. For recent project launches, the Group's average sales within the first six months were greater than 50 per cent. of the project value and, as at 31 March 2023, the Group had pre-sold 62 per cent of its projects under development and had a sales backlog of AED 8,646 million. This is a reflection of the Group's highly satisfied customer base and, in turn, positively impacts the Group's performance. As a result, the Group has been able to grow at a higher rate than the Dubai real estate market. For instance, according to the Group's in-house research, Dubai's residential primary off-plan market grew by 100 per cent. in 2022 (recovering from lower sales during the COVID-19 pandemic) while, during the same year, the Group's sales increased by 147 per cent. (as a result of new launches, early delivery of projects and premium pricing). Similarly, the Group has been able to outperform its peers as evidenced by the increase in the Group's share of the Dubai private real estate market from 1.5 per cent. in 2018 to 6.8 per cent. in 2022 (on the basis of sales value and according to the Group's in-house market research data). The Group's aim is to increase this market share to 15 per cent. in the medium term.

Prudent financial management and funding principles

Financial policy

The Group has adopted a prudent financial management framework in order to effectively monitor its financial performance and ensure operational success. For instance, the Group aims to maintain its debt to equity ratio at or below 0.5:1 and its net debt to EBITDA ratio below 2.75x. As at 31 March 2023, the Group's debt to equity ratio was 0.25:1 (compared to 0.26:1 as at 31 December 2022 and 0.35:1 as at 31 December 2021). As at 31 March 2023, the Group's net debt to EBITDA ratio was 0.6x (compared to 0.9x as at 31 December 2022 and 3.3x as at 31 December 2021). For a description of how the Group calculates EBITDA, please see "*Selected Financial Information – Selected Alternative Performance Measures – EBITDA*".

Liquidity policy

The Group has implemented liquidity management policies as well as investment criteria (with prescribed payback periods and return on investment).

For the purposes of funding its projects, the Group employs a flexible funding strategy which depends on, among other things, the project being financed, the state of the financing markets, relevant macroeconomic conditions and the execution timing of other transactions being undertaken by it. The level of borrowing required for a particular project is considered at various stages of the project development process based upon the cash flow profile of the project concerned, the availability of financing on attractive terms, the projected returns of the project and other factors which the Group may consider appropriate.

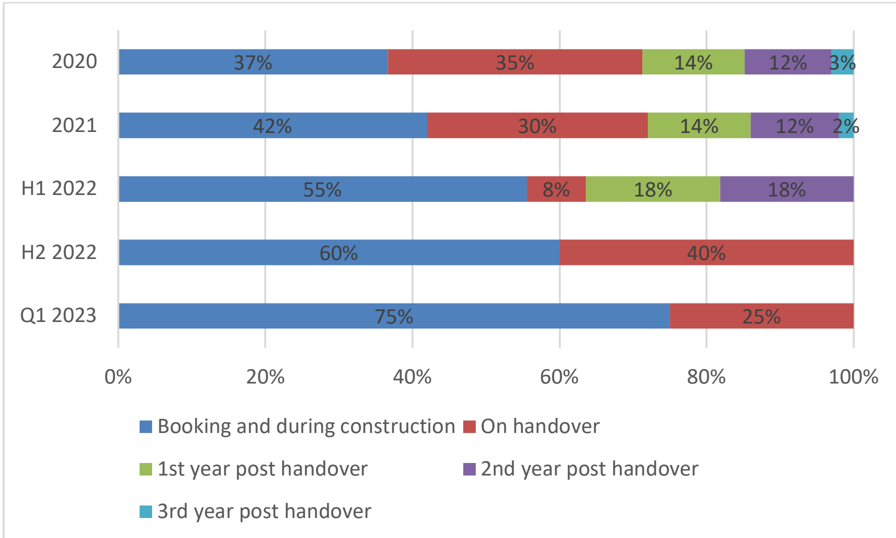
To date, the Group has principally funded its projects using equity, bank loans and the proceeds of off-plan sales of residential units. The Group benefits from strong relations with local and regional banks that help to support its operations and growth. As at 31 March 2023, the Group had borrowings of AED 1,811 million which were principally from six banks. Due to its strong relationships with such banks, the Group also has access to working capital facilities. However, the Group aims to shift its reliance on short-term working capital facilities to long-term capital.

The Group has adopted a prudent inventory management framework in order to effectively plan its launches and monitor its sales and available units. The Group has a policy of maintaining an inventory required to meet demand for at least six months but not more than for nine months. The Group's prudent inventory policy has enabled it to manage off-plan sales.

The Group's inventory management framework has also allowed it to successfully navigate various local real estate cycles and economic downturns. For instance, the Group maintained timely delivery of projects during the COVID-19 pandemic despite regulatory restrictions on the permitted number of active workers at construction sites.

Strategic shift towards no post-handover payment plan

Real estate developers in the UAE usually offer a post-handover payment plan for off-plan properties which allows buyers to pay a pre-determined amount of the purchase price after the property is delivered and the buyer has taken possession. Depending on the type of project and the developer, post-handover payment instalments can range from a few months to a few years after the property is delivered. In addition, such post-handover payment plans may be offered on an interest free basis. Strong market acceptance and brand recognition has allowed the Group to transition towards nil or minimal post-handover payment plans for its projects. No post-handover payment plans have been offered by the Group for projects which commenced from the second half of 2022. As a result, the Group is able to benefit from increased cash inflow during the construction phase of its projects. The risk of delayed payments is also reduced since handover and transfer of legal title is only effected after full payment of the sales value. The following figure illustrates the Group's payment plan options for the years indicated.



Well experienced shareholders and Executive Leadership Team

The Group's shareholders and Executive Leadership Team include experts in multiple areas of real estate and property development and, accordingly, the Group benefits from the strategic direction and supervision of day-to-day operations provided by its personnel (see "*Management and Employees*" for further details).

Strategy

Having established itself as a key player in the Dubai real estate market, the Group's key strategic priorities for the medium- to long-term are as follows:

- capitalising on the high demand for ultra-luxury and luxury residences in Dubai and planning property launches accordingly (including The S, SeaHaven and Sobha One);
- continuing to drive profitability through diversified projects and property offerings;
- focusing on organic development but considering selective strategic partnerships opportunistically to further grow and develop unique offerings; and
- capturing 15 per cent. of the Dubai real estate market share and maintaining a "top 2" market position (in terms of sales value) in Dubai's private real estate segment.

The Group will seek to achieve its strategic priorities through the following areas of focus:

- land bank – the Group will continue to maintain land bank (whether through direct acquisitions, joint ventures, partnerships, purchase on deferred payment basis or other commercial arrangements) to support at least two to three years of planned project launches;
- development – the Group will continue to develop integrated communities while ensuring quality amenities to attract the broadest customer base. While residential unit sales will continue to be the Group's focus, integrated communities will also provide opportunities to diversify the Group's cash flow via sales of retail units;
- marketing – the Group will focus on its overall brand marketing for "Sobha" in order to further develop brand recognition and brand salience in the UAE and other key international markets (for a description of the geographic distribution of the Group's customers, see "*Description of the Group's Business – Customers*"). The Group will primarily seek to continue its reliance on pull marketing strategies for this purpose, including through word-of-mouth publicity and customer loyalty-based incentives. Simultaneously, the Group will also maintain its focus on growing its direct sales channels, including through digital platforms and physical sales kiosks in malls. The Group's marketing strategy will be geared towards positioning it as a customer-oriented real estate brand which seeks to deliver an enriched customer experience. For instance, the Group is in the

process of considering customer-facing application of augmented reality, virtual reality and Metaverse solutions to assist its customers' "journey" from the pre-sale stage to their post-handover residential experience in the Group's communities; and

- sales – the Group will aim to strengthen its existing channel partner relationships while growing its channel partner network into other key international markets (for a description of existing channel partner relationships, see "*Description of the Group's Business – Project Implementation Process – Market launch*"). The Group will also build alternate channels for sales, including digital platforms. Through this growing network of sales channels, the Group will focus on targeted international markets through roadshows, online promotions and broker meetings. The Group's aim will be to increase sales through a judicious sales offering comprising robust pricing, payment plans and customer loyalty-based or similar incentive schemes as well as through a seamless sales experience from enquiry to booking (for instance, through digitised or augmented reality, virtual reality and Metaverse solutions).

The Group has designed internal policies and operational parameters in respect of the above areas of focus while retaining flexibility to adjust quickly if required due to market conditions. Accordingly, PNCI believes that the Group is well-positioned to ensure long-term business sustainability and achieve its strategic objectives.

Projects and Pipeline

The Group uses the following operating and performance metrics in evaluating its individual projects:

- saleable area which is, for residential units, the aggregate surface area of all units for sale in each project and, for commercial units, the aggregate surface area of all units for sale plus a proportionate share of the common area on a given floor;
- built up area ("**BUA**") which is the aggregate of saleable area and built-up common areas (including parking, mechanical areas, reception and health and recreational facilities);
- gross floor area ("**GFA**") which is all liveable and recreational areas, consisting of BUA excluding parking and mechanical areas and open terraces;
- sales which is the aggregate value of units sold where the purchaser has made a down payment of at least 10 per cent. and not sought to cancel the purchase;
- inventory which includes units that are available for sale but not yet sold and units that are sold but not classified as sales (e.g., units where the owner is delinquent or has sought to cancel the purchase);
- inventory value which is the aggregate value of the inventory at a sales price based on a weighted average per square foot of prices achieved on sales;
- project cost which is the aggregate of the carrying value of land, development, and construction;
- project value which is the sum of booked sales and inventory value;
- project gross profit which is the project value less land acquisition, development, and construction costs; and
- project gross profit margin which is the ratio of project gross profit to project value.

Delivered projects

From its inception until 31 March 2023, the Group has completed the construction of an aggregate of 3,727 units equating to approximately 8.7 million square feet of saleable area with a total project value of approximately AED 16.1 billion. To date, the Group's projects have consisted of high-end mixed-use communities and mixed-use tower developments with a focus on residential developments.

The following is a summary of the Group's key delivered projects as of 31 March 2023.

District One

District One is located in MBR City and comprises villas and mansions. The construction of the project commenced in the fourth quarter of 2013 and completed in the first quarter of 2019. The project comprises 616 units with a saleable area of approximately 5.61 million square feet and, at completion, the project value was AED 11,205 million.

Sobha Hartland

Sobha Hartland is the Group's first independent master planned project in the UAE and remains one of the largest integrated communities under development in Dubai. Located adjacent to District One, Sobha Hartland is a mixed-use freehold development and has been designed as a complete community. The project features freehold villas, mid- and high-rise apartments, two international curriculum schools and retail stores. The project is spread over 8 million square feet, with over 30 per cent. of the land being dedicated to open and green spaces including walking and jogging tracks. The project is also serviced by the Dubai Road Transport Authority's buses which connects it to the rest of Dubai.

Key delivered projects within the Sobha Hartland development include:

- Hartland Greens – Hartland Greens comprises six mid-rise buildings. This residential project provides amenities and features such as parks, a gym, a sauna, a steam room, retail shops, a leisure deck and a swimming pool for adults and kids;

- Greens Phase I – Greens Phase I comprises studios, one-bedroom, two-bedroom, three-bedroom, four-bedroom and duplex apartments as well as on-street retail units leased to third parties by the Group. Each building comprises a basement, a ground floor and eight additional storeys. The construction of the project commenced in the second quarter of 2016 and completed in the second quarter of 2018. The project comprises 168 units with a saleable area of approximately 253,170 square feet and, at completion, the project value was AED 359 million;

- Greens Phase II – Greens Phase II comprises studios, one-bedroom, two-bedroom, three-bedroom, four-bedroom and duplex apartments as well as on-street retail units leased to third parties by the Group. Each building comprises a basement, a ground floor and eight additional storeys. The construction of the project commenced in the fourth quarter of 2017 and completed in the fourth quarter of 2019. The project comprises 354 units with a saleable area of approximately 382,867 square feet and, at completion, the project value was AED 556 million;

- Greens Phase III – Greens Phase III comprises one-bedroom, two-bedroom and three-bedroom apartments as well as on-street retail units leased to third parties by the Group. Each building comprises a ground floor, two podium levels and 12 additional storeys. The construction of the project commenced in the first quarter of 2018 and completed in the first quarter of 2021. The project comprises 507 units with a saleable area of approximately 429,994 square feet and, at completion, the project value was AED 646 million;

- Villa Phase I – Villa Phase I comprises four-bedroom and five-bedroom villas. The development amenities include a children's play area, a clubhouse, an indoor games area, a jogging track, a multipurpose room and a tennis court. The construction of the project commenced in the second quarter of 2016 and completed in the fourth quarter of 2020. The project comprises 48 units with a saleable area of approximately 351,748 square feet and, at completion, the project value was AED 610 million;

- Villa Phase II – Villa Phase II comprises four-bedroom villas. The development amenities include a children's play area, a clubhouse, an indoor games area, a jogging track, a multipurpose room and a tennis court. The construction of the project commenced in the first quarter of 2018 and completed in the second quarter of 2021. The project comprises 24 units with a saleable area of approximately 103,579 square feet and, at completion, the project value was AED 184 million;

- Townhouse – Townhouse comprises townhouses. The construction of the project commenced in the third quarter of 2017 and completed in the third quarter of 2021. The project comprises 27 units with a saleable area of approximately 87,891 square feet and, at completion, the project value was AED 144 million;

- Creek Vistas – Creek Vistas comprises one-bedroom, one and a half-bedroom and two-bedroom apartments and on-street retail units leased to third parties by the Group. Each building comprises a ground floor, two podium levels and 28 additional storeys. The development also features amenities such as 24-hour security, concierge service, a recreation and barbecue area, a gym, a tennis court, a park, a playground, a yoga centre and a swimming pool. The construction of the project commenced in the first quarter of 2019 and completed in the fourth quarter of 2021. The project comprises 784 units with a saleable area of approximately 502,073 square feet and, at completion, the project value was AED 832 million;

- Sobha One Park Avenue – Sobha One Park Avenue comprises one-bedroom, two-bedroom, three-bedroom and four-bedroom apartments as well as on-street retail units leased to third parties by the Group. The building comprises a ground floor, three podium levels and 24 additional storeys. The development also features amenities such as a pool, a gym, a sauna, a steam room and six sky gardens. The construction of the project commenced in the third quarter of 2019 and completed in the fourth quarter of 2022. The project comprises 415 units with a saleable area of approximately 504,280 square feet and, at completion, the project value was AED 773 million; and

- Creek Vista Reserve – Creek Vista Reserve comprises one-bedroom, one and a half-bedroom and two-bedroom apartments and on-street retail units leased to third parties by the Group. The development amenities include a barbecue area, a children's pool, covered parking, a gym, indoor play area, a kids' play area, landscaped greens and a swimming pool. The construction of the project commenced in the fourth quarter of 2019 and completed in the first quarter of 2023. The project comprises 784 units with a saleable area of approximately 467,213 square feet and, at completion, the project value was AED 802 million.

Projects under development

A project becomes "under development" at launch or commencement of construction. As of 31 March 2023, the Group had over 9,847 units with over 11.5 million square feet of saleable area under development, aggregating to a total project value of approximately AED 24.3 billion.

The following is a summary of the Group's key projects under development as of 31 March 2023.

Sobha Hartland

- Sobha Waves – Sobha Waves is located in Sobha Hartland and comprises one-bedroom, one and a half-bedroom, two-bedroom and two and a half-bedroom apartments and on-street retail units leased to third parties by the Group. The building comprises a ground floor, five podium levels and 30 additional storeys. The development amenities include an infinity swimming pool, fully equipped indoor and outdoor gyms, a children's play area and a courtyard garden. The construction of the project commenced in the second quarter of 2021 and completed in the second quarter of 2023. The project comprises 604 units with a saleable area of approximately 410,746 square feet and has an estimated project value at completion of AED 795 million;

- Sobha Waves Grande – Sobha Waves Grande is located in Sobha Hartland and will comprise one-bedroom, one and a half-bedroom, two-bedroom, two and a half-bedroom and three-bedroom apartments and on-street retail units which the Group will lease to third parties. The building will comprise a ground floor, five podium levels and 30 additional storeys. The construction of the project commenced in the fourth quarter of 2021 and is expected to complete in the second quarter of 2024. The project comprises 440 units with a saleable area of approximately 455,917 square feet and has an estimated project value at completion of AED 799 million;

- Sobha Waves Opulence – Sobha Waves Opulence is located in Sobha Hartland and will comprise one-bedroom, one and a half-bedroom, two-bedroom, two and a half-bedroom, three-bedroom and four-bedroom apartments. The construction of the project commenced in the fourth quarter of 2022 and is expected to complete in the second quarter of 2026. The project comprises 363 units with a saleable area of approximately 487,685 square feet and has an estimated project value at completion of AED 902 million;

- Villa Phases III and IV – Villa Phases III and IV is located in Sobha Hartland and will comprise villas. The construction of the project commenced in the first quarter of 2021 and is expected to complete in the first quarter of 2024. The project comprises 73 units with a saleable area of approximately 455,437 square feet and has an estimated project value at completion of AED 899 million;

- The Crest – The Crest is located in Sobha Hartland and will comprise one-bedroom, one-bedroom plus powder room, one-bedroom plus study, two-bedroom, two-bedroom plus maid's room, two-bedroom plus study and three-bedroom plus maid's room apartments as well as on-street retail units which the Group will lease to third parties. The Crest will be one of the largest projects in the Sobha Hartland community with four towers and interlinked sky gardens at different levels. The development will also feature several indoor and outdoor amenities, including a health club and changing room, a spin class studio, a pilates and yoga studio, a swimming pool, a children's play area and landscaped terraces. The construction of the project commenced in the first quarter of 2022 and is expected to complete in the fourth quarter of 2025. The project comprises 1,518 units with a saleable area of approximately 1,313,109 square feet and has an estimated project value at completion of AED 2,516 million;

- The Crest Grande – The Crest Grande is located in Sobha Hartland and will comprise one-bedroom, one and a half bedroom, two-bedroom, three-bedroom and four-bedroom apartments as well as on-street retail units which the Group will lease to third parties. The building will comprise a ground floor, five podium levels and 38 additional storeys. The development will also feature indoor amenities such as a children's playroom, a child-friendly restaurant, a recreation area, a sauna, a fitness room and a pilates and yoga studio. The construction of the project commenced in the second quarter of 2022 and is expected to complete in the first quarter of 2026. The project comprises 985 units with a saleable area of approximately 1,338,136 square feet and has an estimated project value at completion of AED 2,469 million;

- Creek Vista Grande – Creek Vista Grande is located in Sobha Hartland and will comprise one-bedroom, one and a half bedroom, two-bedroom and three-bedroom apartments as well as a polyclinic. The building will comprise a ground floor, four podium levels and 38 additional storeys. The construction of the project commenced in the second quarter of 2022 and is expected to complete in the fourth quarter of 2024. The project comprises 400 units with a saleable area of approximately 462,153 square feet and has an estimated project value at completion of AED 793 million; and

- Creek Vista Heights – Creek Vista Heights is located in Sobha Hartland and will comprise of one-bedroom, one and a half bedroom, two-bedroom, three-bedroom and three and a half bedroom apartments as well as on-street retail units which the Group will lease to third parties. The building will comprise a ground floor, six podium levels and 57 additional storeys. The construction of the project commenced in the third quarter of 2022 and is expected to complete in the third quarter of 2026. The project comprises 1,354 units with a saleable area of approximately 1,276,610 square feet and has an estimated project value at completion of AED 2,529 million.

Hartland II

Situated a short distance away from the Dubai Water Canal and close to Sobha Hartland, Hartland II is another community under development in Dubai. The key project under development in Hartland II is Villas I. The construction of the Villas I project commenced in the second quarter of 2023 and is expected to complete in the second quarter of 2027. The project comprises 43 units with a saleable area of approximately 363,429 square feet and has an estimated project value at completion of AED 981 million.

The S

The S is located on Sheikh Zayed Road at the entrance of the Palm Jumeirah and will comprise four-bedroom, five-bedroom and entire-floor penthouse units with high-quality finishing and world-class amenities including an outdoor jacuzzi, an outdoor theatre, a children's play area, a fitness facility, a business centre, an infinity swimming pool as well as six levels of enclosed podium parking and concierge services. The construction of the project commenced in the fourth quarter of 2021 and is expected to complete in the fourth quarter of 2024. The project comprises 98 units with a saleable area of approximately 514,296 square feet and has an estimated project value at completion of AED 1,518 million.

Verde by Sobha

Verde by Sobha is located in the Jumeirah Lake Towers area and will comprise one-bedroom, two-bedroom and three-bedroom apartments with world-class amenities. The building will comprise a basement, a ground floor, six podium levels and 54 additional storeys. Verde by Sobha is expected to be one of the tallest residential towers in the Jumeirah Lake Towers area and will offer views of Jumeirah Island and Emirates Hills villa communities on one side and the Emirates Golf Course on the other. The construction of the project commenced in the first quarter of 2023 and is expected to complete in the second quarter of 2027. The project comprises 610 units with a saleable area of approximately 732,927 square feet and has an estimated project value at completion of AED 1,539 million.

Sobha One

Sobha One is located in Dubai Creek and will comprise one-bedroom, one and a half bedroom, two-bedroom, three-bedroom, four-bedroom, five bedroom and duplex apartments. The building will comprise a basement, a ground floor, six podium levels and 60 additional storeys. Sobha One will feature multi-use towers and a boutique golf course as well as a beach water feature adjacent to the golf course. The exclusive residential community will also include sports and recreation courts, a nursery as well as other leisure and healthcare facilities while the apartment buildings will be especially oriented to maximise the views of the Ras Al Khor Wildlife Sanctuary, the golf course and Downtown Dubai. The duplex units have been designed in the style of Le Corbusier. The construction of the project commenced in the fourth quarter of 2022 and is expected to complete in the first quarter of 2027. The project comprises 3,071 units with a saleable area of approximately 3,071,362 square feet and has an estimated project value at completion of AED 6,123 million.

SeaHaven – Tower A

SeaHaven – Tower A is located in Dubai Harbour and will comprise one-bedroom, two-bedroom, three-bedroom and four-bedroom apartments. The construction of the project commenced in the fourth quarter of 2022 and is expected to complete in the third quarter of 2026. The project comprises 288 units with a saleable area of approximately 595,000 square feet and has an estimated project value at completion of AED 2,500 million.

Upcoming projects

In addition to projects already under development, as of 31 March 2023, the Group is in the planning stage for projects expected to comprise over 1,689 units with approximately 3.2 million square feet of saleable area and a total estimated project value of approximately AED 7.7 billion.

The following is a summary of the Group's key upcoming projects as of 31 March 2023.

Sobha Reserve

Sobha Reserve will be located in Wadi Al Safa 2 and will comprise villas. Key upcoming projects within the Sobha Reserve development include:

- Sobha Reserve Villas Phase I – Sobha Reserve Villas Phase I will be located in Sobha Reserve and will comprise four-bedroom and five-bedroom villas. The construction of the project commenced in the second quarter of 2023 and is expected to complete in the fourth quarter of 2026. The project is expected to comprise 162 villas with a saleable area of approximately 848,715 square feet and an estimated project value of AED 1,324 million; and

- Sobha Reserve Villas Phase II – Sobha Reserve Villas Phase II will be located in Sobha Reserve and will comprise four-bedroom and five-bedroom villas. The construction of the project is due to commence in the third quarter of 2023 and is expected to complete in the second quarter of 2027. The project is expected to comprise 178 villas with a saleable area of approximately 932,538 square feet and an estimated project value of AED 1,455 million.

SeaHaven – Towers B and C

SeaHaven – Towers B and C will be located in Dubai Harbour and will comprise apartments. The construction of the project is due to commence in the third quarter of 2023 and is expected to complete in the first quarter of 2027. The project is expected to comprise 555 units with a saleable area of approximately 925,902 square feet and an estimated project value of AED 3,896 million.

Hartland II

- 330 Riverside Crescent – 330 Riverside Crescent will be located in Hartland II and will comprise apartments. The construction of the project is due to commence in the fourth quarter of 2023 and is expected to complete in the third quarter of 2026. The project is expected to comprise 794 units with a saleable area of approximately 502,196 square feet and an estimated project value of AED 1,004 million.

Project Implementation Process

Land sourcing, project identification and feasibility

In order to source land for projects, the Group takes into consideration its existing land bank as well as future land requirements. Based on availability, land parcels that are conducive to the development of large-scale, mixed-use communities in prime locations (determined by the Group on the basis of growth potential as well as proximity to already established luxury communities) are shortlisted. When acquiring land, the Group proactively considers the options available to it in order to minimise the upfront capital outlay (including through joint ventures, partnerships, purchase on deferred payment basis or other commercial arrangements). Due diligence is carried out in respect of the potential land parcels, including to check for encumbrances, availability of services, accessibility etc., and the Group undertakes a preliminary feasibility report to ensure the viability of the project on the identified land parcel. This report outlines the project development phases and includes a high-level analysis of the financial parameters and legal and regulatory issues as well as relevant market research studies. At this stage, the Group also engages with various government and/or local authorities and parties to provide an overview of the proposed project. If a partnering entity is identified, the Group conducts due diligence in respect of such entity. Once completed, the preliminary due diligence report is submitted to the Executive Leadership Team for review and approval. Upon approval, the project is presented to the Board for approval for undertaking a detailed feasibility study.

Following such approval from the Board, a memorandum of understanding is signed with the relevant counterparties, which confirms the Group's interest in the project and the Group's exclusive development rights. External consultants are appointed to carry out the detailed feasibility study, which includes analysing the project's financial, legal and regulatory aspects. Based on the outcome of the detailed feasibility study and any proposed joint venture agreement, the Board grants approval to proceed with the project and any required land acquisitions are approved.

Design finalisation

The Group has entrenched, integrated and synergetic commercial relationships with the Related Companies. As such, the Group engages PNC Architects to carry out the design of the development. The design consultant team at PNC Architects consists of world-class and internationally experienced designers. Based on the design brief setting out the scope of the project, the consultant team presents a number of options to Sobha LLC with rendered perspectives, out of which one option is chosen by Sobha LLC. The chosen option is then developed further by the consultant team, to set out in detail the functional, aesthetic, approval, constructability and market aspects of the project to achieve the objectives set out in the project brief. This process is followed for both master planned and building projects.

Sobha LLC's development team evaluates the design for efficacy, efficiency and suitability for market and customer requirements. The design is also evaluated based on the development vision set out by the Group and, if required, the relevant government. Based on this evaluation, feedback is given to the consultant team and the design is finalised.

Authority approvals

Once the design is finalised, the requisite land, building and utility approvals are sought from various government authorities. Sobha LLC's authority approvals team is responsible for obtaining all necessary approvals for the development ranging from fencing, grading, piling, building permit and Dubai Land Department – RERA (Dubai Real Estate Regulatory Agency) ("**RERA**") approvals for the project's off-plan launch, through to the building completion certificate from the Dubai Municipality or the Dubai Development Authority, to the final title deed survey for the as-built project.

Market launch

Concurrently with the approvals process, Sobha LLC prepares the project for sale in the off-plan market. During this stage, key items including project location, amenities, finish specifications, layouts, payment plans and construction timelines are determined. These details are formalised and relevant disclosures and filings are made with RERA to obtain permissions for off-plan sales. Once these permissions are received, the project is launched for sale in the market.

During the project launch, Sobha LLC's marketing team coordinates with the relevant stakeholders to showcases the project and its key characteristics, along with targeted messaging for intended consumers. The team creates interest in the market through digital and physical marketing, including apps, websites, models and product renders. Through the efforts of the sales teams, the sale is finalised and registered.

For this purpose, the Group's target consumer base usually comprises non-residents of UAE, with 60 per cent. of qualified sales in 2022 having been made to such buyers. Accordingly, the Group's marketing efforts are targeted at international geographies including India, China, United Kingdom, the Kingdom of Saudi Arabia and Africa. Similarly, the demographic age group targeted by the Group is 30-55 years with a household income of at least AED 40,000 per month.

The Group utilises a multi-pronged customer sourcing strategy through the following channels:

- RERA-registered "channel partners" in the UAE – channel partners are individuals or agencies which take complete responsibility for selling the Group's projects or an agreed portion thereof within a pre-agreed duration. In return, these channel partners receive a set fees or commission from the Group for their services. The Group actively engages with over 1,100 RERA-registered channel partners in the UAE, of which over 200 channel partners have contributed to sales;

- international "channel partners" – similar to UAE-based channel partners, the Group actively engages with over 200 international channel partners for marketing its projects internationally, of which over 30 channel partners have contributed to sales; and

- referral through existing customers.

Construction

Construction generally begins after the design has been finalised design and requisite approvals have been obtained and, in any case, approximately three to six months after the launch of the relevant project (after achieving 40-50 per cent. of total project sales). This ensures sufficient working capital support and timely delivery of the project.

On the basis of a detailed bill of quantity and timelines, the engagement process with the Sobha LLC contracting team is concluded in advance to allow for the construction of the project to commence as soon as such approvals are obtained. Sobha Construction, the main contractor engaged by Sobha LLC and an important part of the Group's Related Companies integration model, takes full charge of the site execution activities, with mobilisation of manpower and resources. With strong planning and in-house sourcing capabilities, Sobha Constructions proceeds to break-down the work into various parts of the building, such as sub-structure, super-structure, façade, MEP, and finishing, and arranges seamless delivery of the project.

Each aspect of the construction process is executed by Sobha Construction's in-house technicians, and specialist activities such as façade, landscape and plumbing fixtures are sourced from other Related Companies such as Sobha Facade, Sia Landscaping and Sobha Furniture. Each design detail and construction process is vetted by Sobha LLC's quality and technology team and clearly broken into manageable steps that are further tracked digitally. Through such deliberate and detailed systems as well as rigorous quality checks by Sobha LLC's quality audit team throughout the construction process, the Group's management believes that Sobha LLC is able to execute projects on time and with superior finish quality.

Throughout the construction and execution phase of the project, timely updates are sent to customers along with key information about the status of work. Special emphasis is given to customer engagement during the purchase life cycle, including updates, inspection reports and key account related information including statements of account. Dedicated relationship managers engage with the customers and guide them through the various stages of execution.

Building completion and handover

As the building construction approaches completion, Sobha LLC's finishing and quality teams begin the process of verification of quality of finishes, and readiness for customer handover. A detailed quality survey is done by Sobha LLC's quality team led by an engineering head to ensure that any defects are rectified before the building is presented to the customers. Inspections of the building are carried out and completion certificates and necessary surveys as prescribed by the relevant authority are obtained. As a result of its project implementation framework, the Group is capable of concluding the process from launch to handover for a high-rise building in 24-36 months.

On receipt of a completion certificate, the customer is briefed on possession formalities and is taken through a specific "orientation" process. At this stage, each customer is individually oriented on the project, amenities and key aspects of their home ownership and occupancy details.

The Group monitors and communicates with its customer during the defect liability period (which is usually one year after handover) and beyond to proactively address any issues faced by the customer.

Post-handover

As a responsible developer, the Group stays engaged with its customers in multiple ways after the handover of any project. Latinem Facility Management maintains all of the Group's developments and offers cleaning and handyman services to the residents of the Group's developments. Latinem Facility Management's customer care team interacts with customers on an ongoing basis to assist them with the care and upkeep of the units and to keep the customers informed of any updates and product enhancements. Any material customer feedback is carefully considered and, where relevant, implemented as improvements and/or incorporated into new developments. Once the owner association is formed post-handover, Latinem Facility Management's community facilities management team takes over the management and upkeep of the development. This team engages the customer through community activation, events and assists in nurturing a safe, healthy and vibrant "Sobha community" experience.

Land Bank

The table below shows certain information in respect of the land bank (all of which is freehold) available to the Group as at 31 March 2023:

	Gross floor area (GFA) ('000 sq. ft.)	**Expected project value (AED million)**
Fully paid for land bank:		
Sobha Reserve	1,479	2,779
Hartland II	9,139	15,755
Land bank on payment plan:		
SeaHaven Towers B and C	1,020	3,896
Total	**11,638**	**22,430**

Customers

In Dubai, foreign ownership of land and property is only permitted in areas which are designated as freehold by the Government. Accordingly, although the Group has a diverse customer base, non-UAE nationals are the most significant customer category due to the freehold nature of the Group's projects. The table below shows the breakdown of the Group's customers (by unit value during the period) by region for 2022 and for the cumulative three-year period from 2020 to 2022:

	2022	2020-2022
Europe	51%	41%
Asia	21%	26%
Middle east	13%	15%
Africa	8%	9%
North America	6%	7%
Others	1%	2%

For the three months ended 31 March 2023, the Group's sales were AED 3,294 million, compared to AED 10,822 million for the year ended 31 December 2022 and AED 4,383 million for the year ended 31 December 2021.

Key Relevant Awards

The Group and its Related Companies have received multiple awards in recognition of their business model and track-record, including the following:

Year	Award	Awarding institution
2023	Global Gold Winner – Sustainability	Green World Award
2023	Best Luxury Real Estate Developer	Luxury Lifestyle Awards
2023	Best Luxury Mixed-Use Development for 'The S' in Dubai, UAE	Luxury Lifestyle Awards
2022	MEP Consultant of the Year	Climate Control Awards
2022	Developer of the Year	Big Project Awards
2022	Mixed-use Development Project of the Year	BNC Publishing

Competition

The Group competes for customers with other major property development companies offering residential properties comparable to those offered by the Group. In addition, the Group also competes to source appropriate land plots on which to construct its projects. See also "*Risk Factors – Risk Factors Relating to the Group's Business – The Group faces competition in property development*".

In Dubai, the Group competes with the following major Dubai based property development companies and certain other private entities, which dominate the Dubai property market at the date of this Offering Circular:

- Damac Properties Dubai Co. PJSC was established in 2002. The company is known for developing residential apartments, villas and commercial properties. Damac has completed numerous projects in the UAE and other countries, including Jordan, Saudi Arabia and Lebanon;

- Deyaar Development PJSC was established in 2002 with residential and commercial developments across several areas in Dubai and operations in other countries. In addition to property development, Deyaar provides property management, facilities management, and owners' association management services;

- Dubai Properties LLC was established in 2004 and is a part of the Dubai Holding Group (which manages a portfolio of companies focused on business communities, hospitality, tourism, real estate and telecommunications). Its key developments include Culture Village, Business Bay and the Jumeirah Beach Residences. The Dubai Holding Group has previously been allocated its land bank by the Government;

- Emaar Properties PJSC was established in 1997 and is a key competitor of the Group. Unlike the Group, Emaar has historically been allocated land in Dubai by the Government and has developed a diverse range of projects across residential, commercial, retail and leisure sectors in Dubai;

- Meraas Holding LLC is a diversified holding company established in 2007 with investments in tourism, leisure, real estate development and asset management. Its notable completed and ongoing developments include the largest ferris wheel in the world, Blue Waters, the Pearl Jumeira luxury residences, City Walk, a Bollywood theme park and the first Legoland theme park in the Middle East;

- Nakheel PJSC was established in 2003 and is currently owned directly by the Government. Its main developments include the Palm Islands, the Dubai Waterfront, International City and The World. Nakheel has previously been allocated its land bank by the Government and has developed projects across various sectors; and

- Union Properties PJSC was established in 1987 and is a part of the Emirates NBD Group. It has completed several commercial, residential, and leisure projects, including high-rise towers, multi-use complexes, hotels and theme parks in the UAE.

Intellectual Property

The Group and its Related Companies own a number of trademarks which are important to the Group's business. In particular, "Sobha" and "Hartland" are owned by Sobha Corporate LLC (a Related Company). Each of these trademarks has been registered in the UAE.

Information Technology

The Group utilises various technologies across its business transactions. Some of the primary IT solutions implemented, or in process of implementation, by the Group are as follows:

- a unified enterprise resource planning system for the Group which relates to back-office functions like finance, procurement, logistics and fixed assets;

- an end-to-end construction project management solution integrated with the Group's enterprise resource planning which relates to planning, scheduling, project executions and monitoring, risk management, resources management, billing and costing;

- an end-to-end human capital management system for better employee experience;

- "Property Strength", an end-to-end customer lifecycle management software app based on "Salesforce" software, which helps with enquiry, sales, sales operations, customer relationship management, collection and finance activities; and

- digitising paper-based/legacy-based processes via an electronic document management system.

In addition, the Group operates the OneSobha app.

OneSobha

The OneSobha app (available on both iOS and Android) serves as a one-stop-app for all community-related needs, providing customers with an all-in-one platform. Customers, whether owners, tenants or holiday home operators, have access to a diverse range of exclusive services – from raising service requests, reserving amenities, paying community service fees, obtaining information on service providers and many more features aimed at improving their community living experience.

Data protection

The Group believes that the protection of its business information as well as customer information is a critical and an important pillar of business. Accordingly, the Group has data protection policies in place to safeguard business and customer information. The Group is in the process of selecting and implementing a data loss prevention solution which will enable better monitoring and prevention of inappropriate transfer or sharing of sensitive information to unauthorised parties. This solution is expected to enable better protection of sensitive business information in on-premises systems, cloud-based solutions and end-point devices.

Security systems

To strengthen its security systems, the Group has implemented a number of recognised systems such as Meraki firewalls, Mimecast email security, Sophos end-point system and similar software and processes. The Group is in the process of establishing a security operations centre and a security incident and event management platform.

Insurance

The Group maintains industry-standard insurance including money insurance, motor vehicles insurance and medical insurance for all its employees. Accordingly, PNCI believes that the Group's insurance programme is comprehensive and robust. The Group endeavours to keep the insurance programme aligned and updated, on an ongoing basis, in accordance with the latest insurance solutions available in the global insurance market.

In addition, the Group requires its contractors to provide insurance cover, including contractor all risks ("**CAR**"), workman's compensation, motor vehicles insurance, insurance for plant and contractor's equipment and, if applicable, marine insurance for goods transported to each project. The Group also requires its consultants to carry professional indemnity insurance according to the best available market standards.

The Group requires the CAR policy to cover the contractors and relevant sub-contractors as well as the principal for the full value of the contract. CAR insurance covers loss or damage to the contract works and the liability of the contractor/principal to third parties. The policy commences from the inception date of the contract and is valid until completion of construction and handing over of the project to the Group. Once the project is handed over by the contractor, the CAR insurance expires. Thereafter, the retained elements of the project form part of the Group's assets and are insured under by the Group's own property insurance or property all risk insurance. Insurances relating to the units handed over are maintained by the respective owners or owners' associations.

See also "*Risk Factors – Risk Factors Relating to the Group's Business – The Group may not have adequate insurance to cover potential losses*".

Environment

Sustainability and climate action is a significant consideration within the Group and the Group is committed to complying with environmental industry standards applicable to it. Accordingly, the Group has implemented, and is in the process of implementing, various initiatives relating to energy management, water management and circular economy/waste management across its business and projects.

The Group ensures that its employees, contractors, suppliers and communities are educated and made aware of the impact their activities could have on the surrounding environment and works towards strengthening awareness of a greener lifestyle through energy and water efficiency in line with the UAE's Net Zero 2050 target. The Group also undertakes an environmental impact study for each project. The contractor who oversees construction at the project obtains all permits required from government authorities and manages the permit process. The Group's project sites are subject to periodic inspection by regulatory agencies that monitor ongoing compliance with applicable environmental regulations. The Group's new developments are designed to comply with the green building codes. For instance, Sobha One, which is one of the Group's flagship developments, aims to achieve the platinum super low energy certification from Green Mark (which is a leading green building certification programme). The Group is also in the process of implementing the following innovative measures:

- air to water generator – to generate water from air and rendering it fit for consumption;
- daylight harvester – to reduce lighting demand and utilise daylight for indoor lighting; and
- capacity development initiative (sustainability kiosk) – an interactive and immersive kiosk planned to be installed in the lobby areas to educate visitors on sustainability and climate initiatives across the Group.

In addition, the Group voluntarily published its first environmental, social and governance ("**ESG**") report in 2022 to demonstrate its climate commitment and the Group has also commenced a comprehensive greenhouse gas assessment exercise to understand its emissions, establish a baseline and further develop a road map for emission reductions.

The Group and PNCI have also entered into various partnerships, alliances and memoranda of understanding in order to implement their ESG and climate ambitions in a transparent manner, including:

- Task Force on Climate-related Financial Disclosures ("**TCFD**") – PNCI became a supporter of TCFD in 2022, thereby becoming the eighth company in the UAE and the third company in the real estate development sector to do so. Its first TCFD report is currently under development;

- pledge with Ministry of Climate Change and Environment ("**MOCCAE**")/participation in National Dialogue on Climate Action – PNCI signed the pledge with the MOCCAE in February 2023 to support it in its net zero strategy 2050 initiative;

- membership with UAE Alliance for Climate Action (UACA) – PNCI has joined this alliance administered by Emirates Nature-WWF to engage in climate action and coordinate/collaborate with other stakeholders in the decarbonisation journey; and

- sustainability across the supply chain – PNCI has partnered with Synesgy, an ESG platform for companies, to engage with its supply chain from the point of view of sustainability and ESG.

In recognition of the Group's and its Related Companies' ESG efforts, PNC Architects was awarded "MEP Consultant of the Year" at the Climate Control Awards 2022 while Latinem Facilities Management obtained the ISO 50001: 2018 '*Energy Management System*' certification in November 2022.

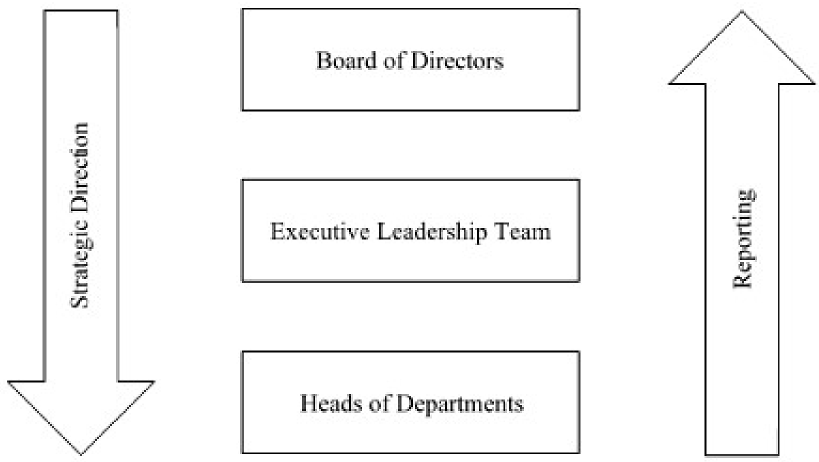
Health and Safety

The Group is committed to providing a safe working environment and securing improvements in occupational health and safety by protecting employees, visitors and all personnel who work on its behalf from workplace injury and illness. The Group has a health and safety policy as well as health, safety, security and environment ("**HSSE**") plans and procedures for the smooth execution of the projects. The Group appoints an HSSE team which reports to the Executive Leadership Team and monitors the progress of construction and the implementation of local regulations and international health and safety guidelines such as ISO 9001:2008, ISO 14001:2015, ISO 45001:2018 and National Fire Protection Association standards in each of its projects. For each project, the Group appoints a project manager to inspect both the physical conditions on the site, such as personal protective equipment, working at heights and in confined spaces, and procedural issues such as third-party certification for lifting equipment, machinery, firefighting systems, first aid procedures, control measures, emergency and contingency plans and job-specific training registers. The Group also appoints a health and safety manager for each project to monitor safety compliance at each relevant construction site. The project manager can authorise the appointed health and safety officer to issue reports, stop work and impose fines, should policies not be followed. The health and safety officer also tracks and reports monthly key performance indicators on the project, such as the number of man-hours worked, workers, lost days, lost time incidents, first aid and medical treatment cases, and fire accidents.

MANAGEMENT AND EMPLOYEES

Board of Directors

PNCI's corporate reporting structure is set out below.



The Board is elected by its shareholders at a general meeting. The Board is responsible for the strategic direction of the Group. Projects and related decisions are recommended by the Executive Leadership Team to the Board.

Board meetings take place on a quarterly basis and the decisions taken at Board meetings are then executed by the Executive Leadership Team.

The table below sets out the names of the members of PNCI's Board as at the date of this Offering Circular.

Name	Designation
Mr. PNC Menon	Chairman of the Board
Mr. Ravi Menon	Co-Chairman of the Board
Dr. Mahmoud Al Burai	Independent Director
Mr. Francis Alfred	Managing Director and Group Chief Executive Officer
Mr. Jyoti Kumar Agarwal	Group Chief Financial Officer

The address of each member of PNCI's Board is 13th Floor, Sobha Sapphire Building, Business Bay, P.O. Box 125250, Dubai, UAE. There are no potential conflicts of interest between the private interests or other duties of the members of PNCI's Board listed above and their duties to the Group.

Brief biographical information in respect of the members of PNCI's Board is set out below.

Mr. PNC Menon – Chairman of the Board

Mr. PNC Menon is the Founder Chairman of the Group. He commenced his career in 1976, when he founded an interior decoration firm catering to the Middle East markets. Within a decade, his firm was a market leader and had handled prestigious and high-profile projects for the Rulers of Oman, UAE, Bahrain, Qatar and Brunei. In 1994, Mr. PNC Menon founded Sobha Limited (India) to address the gap in superior-quality development and construction in India and, since its inception, this business has steadily grown from strength to strength (including its initial public offering in 2006 which was over-subscribed by around 126 times). As the India business continued to grow, Mr. PNC Menon began exploring international opportunities to fuel further growth and, as a result, he founded PNCI in 2011 to bring the "Sobha" brand to the UAE. Under Mr. PNC Menon's leadership, "Sobha" has now established itself as a multinational real estate development and construction group.

Mr. Ravi Menon – Co-Chairman of the Board

Mr. Ravi Menon is the Co-Chairman of the Group. He has nearly 20 years of experience in construction and real estate development and, prior to being appointed as the Co-Chairman of the Group in April 2023, he was the Chairman of Sobha Limited (India) where he oversaw the company's various business that are a part of its backward integration value chain and led the successful integration of pre-cast technology in the company's construction methodology. As the Co-Chairman of the Group he focuses, in particular, on the product delivery, project execution, quality control, technology advancement, process and information technology, and customer satisfaction aspects of the Group's business.

Mr. Ravi Menon holds a Bachelor of Science degree in Civil Engineering from Purdue University (U.S.).

Dr. Mahmoud Al Burai – Independent Director

Dr. Al Burai joined the Group as an Independent Director on 1 July 2023. With over 16 years of experience in the real estate sector, he has previously served as the Chief Executive Officer of the Dubai Real Estate Institute for ten years. As at the date of this Offering Circular, he is the President of FIABCI Emirates and serves as a senior adviser to the Government of Dubai. Dr. Al Burai has also previously served as a Senior Director at RERA and held a managerial role at Dubai Holding. In 2021, he was recognised as one of ten "City Changers" by the World Urban Campaign of the United Nations (for his role in lobbying stakeholders to advance sustainable development goals and address climate change).

Dr. Al Burai holds a Doctor of Business Administration from Grenoble Ecole de Management, a Master's in Real Estate from the National University of Singapore, a Master's in Cities from the London School of Economics and Political Science (LSE), an MBA in Finance from the American University of Dubai and a Bachelor's in Engineering from the American University in Dubai.

Mr. Francis Alfred – Managing Director and Group Chief Executive Officer

Mr. Alfred joined the Group in 2011 and has been the Managing Director and the Group Chief Executive Officer since June 2017. With over 22 years of experience in the real estate development industry, he is responsible for the overall management and monitoring of master planning, project lifecycle, design and delivery of all the Group's real estate projects under development.

Mr. Alfred holds a Bachelor of Civil Engineering degree with distinction from Annamalai University (India). He has also participated in quality and technology training in Japan, where he worked with Nikken Sekkei (a renowned Japanese architectural firm).

Mr. Jyoti Kumar Agarwal – Group Chief Financial Officer

Mr. Agarwal joined the Group as the Group Chief Financial Officer in April 2023. With over 22 years of experience in senior management roles across a variety of disciplines (including corporate strategy, treasury, accounting, tax, mergers and acquisitions, legal/compliance/company secretarial, corporate and investment banking, investment management and management consulting), he has previously worked for reputed organisations such as Boston Consulting Group, Deutsche Bank, Franklin Templeton, JSW Group, Standard Chartered Bank and Tata Power Renewables.

Mr. Agarwal holds an MBA from Indian Institute of Management, Calcutta (India) and is an all-India rank holder Chartered Accountant as well as a CFA charterholder.

Executive Leadership Team

The table below sets out the names of the members of the Executive Leadership Team as at the date of this Offering Circular.

Name	Designation
Mr. Francis Alfred	Managing Director and Group Chief Executive Officer
Mr. Jyoti Kumar Agarwal	Group Chief Financial Officer
Mr. T. P. Sanjaya Sarathy	Management Adviser
Mr. Varughese Mathew	Chief Operating Officer
Mr. Stephen Atherton	Director, Design – Corporate
Mr. Manish Goenka	Chief Sales Officer

Name	Designation
Mr. Olaf Wagner	Head – Quality and Technology
Mr. Guruswamy Periyasamy	Chief Information Officer
Dr. Paravasthu Ramaswamy Jagannathan	Chief Sustainability Officer
Mr. Vaibhav Setia...	Director – Development Strategy
Mr. Gautam Sawhney.....................................	Head, Customer Relation Management
Mr. Bala Mohana Rao	Chief Audit Officer
Dr. C. Premkumar Naidu................................	Chief People Officer
Mr. Rajeev Ram Ramprakash.........................	Director – Development

The address of each member of the Executive Leadership Team is 13th Floor, Sobha Sapphire Building, Business Bay, P.O. Box 125250, Dubai, UAE. There are no potential conflicts of interest between the private interests or other duties of the members of the Executive Leadership Team listed above and their duties to the Group.

For brief biographical information in respect of Mr. Francis Alfred and Mr. Jyoti Kumar Agarwal, see "*Management and Employees – Board of Directors*". Brief biographical information in respect of the other members of the Executive Leadership Team is set out below.

Mr. T. P. Sanjaya Sarathy – Management Adviser

Mr. Sarathy joined the Group in 2016 and was the Group Chief Financial Officer and a member of the Board from August 2021 to March 2023, before being appointed as the Management Adviser. With over 38 years of experience as a finance professional in the real estate development industry, he has previously worked at various other companies owned by PNCI's shareholders.

Mr. Sarathy is an Associate Chartered Accountant from the Institute of Chartered Accountants of India.

Mr. Varughese Mathew – Chief Operating Officer

Mr. Mathew joined the Group in 2017 and has been the Chief Operating Officer since September 2020. With over 31 years of experience in the construction, property and real estate management in the Middle East and India, he has previously worked with Elixir Project Consultants DWC-LLC, Kvaerner, Sama- EC Harris, Six Construct, Skanska and TDIC in various capacities, including as the Managing Director at Elixir Project Consultants DWC-LLC.

He is also the President of the Indian Institute of Quantity Surveyors, a trustee of the International Cost Management Standard Coalition and a trustee of the International Ethics Standards Coalition.

Mr. Mathew has specialised in Quantity Surveying and Construction Management from the College of Estate Management (United Kingdom) and holds a Master of Laws degree in Construction Law and Arbitration from Robert Gordon University (United Kingdom).

Mr. Stephen Atherton – Director, Design – Corporate

Mr. Atherton joined the Group in 2013 and has been the Director, Design – Corporate since July 2013. In this role, he is responsible for overseeing the design requirements of the Group's various real estate projects.

With over 30 years of experience in design in the United Kingdom and the UAE, Mr. Atherton has previously worked with Fraser Eagle Contracts (United Kingdom) and TFL International (United Kingdom) in various capacities, including as the Managing Director at Fraser Eagle Contracts and as Director of Interiors at TFL International. Prior to joining the Group, he also founded and managed European Design Group and Atherton Associates (both independent design consultancies operating throughout the GCC).

Mr. Atherton holds a Bachelor of Arts degree in 3D Interior Design from the Leeds Metropolitan University (United Kingdom). He is also a member of the Chartered Society of Designers (United Kingdom) and a member of the Institute of Directors (United Kingdom).

Mr. Manish Goenka – Chief Sales Officer

Mr. Goenka joined the Group in 2020 and has been the Chief Sales Officer since January 2022. In this role, he is involved in developing and executing the Group's strategic plans for sales and marketing and managing the "Sobha" brand.

With over 19 years of experience in sales and marketing, strategy planning and team management, Mr. Goenka has previously worked with Lodha Group, Runwal Developers (where he also served as the National Head of Sales and Marketing), Tata Motors and Xerox Corporation in various capacities.

Mr. Goenka holds a Bachelor of Engineering in Mechanical Engineering from Visvesvaraya Technological University (India) and an MBA in Marketing from ICFAI University (India).

Mr. Olaf Wagner – Head – Quality and Technology

Mr. Wagner joined the Group in 2011 and has been the Head – Quality and Technology since May 2014. In this role, he is responsible for overseeing project design and implementation within the Group through an independent technical inspection regime to ensure high-quality construction.

With over 30 years of experience in architecture, engineering and construction, Mr. Wagner has previously worked with German construction and project development companies in various capacities.

Mr. Wagner is a qualified Master Craftsman in Civil Construction from the Chambers of Skilled Crafts in Dresden (Germany) and holds a Bachelor of Architecture degree from the University of Applied Science in Leipzig (Germany).

Mr. Guruswamy Periyasamy – Chief Information Officer

Mr. Periyasamy joined the Group as the Chief Information Officer in September 2022. In this role, he is responsible for strategies in respect of, and delivering and managing, IT systems and services for the Group.

With over 32 years of experience in the field of information technology and operational governance in multiple industries, including aviation, real estate, hospitality and financial services, he has previously held key IT positions with Air Arabia, Dubai Holding and Emirates Group in the UAE as well as management positions with National Stock Exchange of India Limited and National Securities Depository Limited in India.

Mr. Periyasamy holds a Master's in Business Administration (Finance) and a Bachelor's in Mechanical Engineering from Mumbai University (India). He holds a certificate in Executive Leadership Development from University of Warwick (United Kingdom). He is also a certified Project Management Professional and a Control Objectives for Information Technologies (COBIT) 5 practitioner.

Dr. Paravasthu Ramaswamy Jagannathan – Chief Sustainability Officer

Dr. Jagannathan joined the Group as the Chief Sustainability Officer in July 2022. In this role, he is responsible for driving sustainability and climate action across the Group's business value chain through short-, mid- and long-term strategic interventions. He is also responsible for embedding ESG principles into the Group's objectives and strategies and establishing the Group's net zero aspirations. Accordingly, he oversees green building certifications for new developments, greenhouse gas management/assessment for the Group's projects and ESG reporting for the Group.

With over 25 years of experience in the buildings and environment sector (with a specific focus on developing policies and frameworks) across India, Malaysia, Oman and Qatar, he has previously worked as the Sustainability Head at Trakhees (a regulatory division of Ports, Customs and Free Zone Corporation in Dubai) where he designed, developed and administered key policy tools relating to energy efficiency and green building codes. In this role, he was also a member of several working groups of Dubai's strategic programmes, including the Dubai 2040 Urban Master Plan, the Dubai Demand Side Management Strategy and the Dubai Building Code Unification. Dr. Jagannathan also served as the Chairman of the Arab Green Summit in June 2022.

Dr. Jagannathan holds a PhD in Sustainability Management from Banasthali University (India) and a Master of Engineering from Anna University (India).

Mr. Vaibhav Setia – Director – Development Strategy

Mr. Setia joined the Group in 2019 and has been the Director – Development Strategy since April 2019. In this role, he is responsible for overseeing the development and management of the Group's projects through their entire lifecycle as well as the Group's growth strategy.

With over 25 years of experience in real estate development, master planning and architectural design, Mr. Setia has previously worked with Damac Properties and DLF Universal (India) in various capacities.

Mr. Setia holds a Bachelor of Architecture degree from Dr. Babasaheb Ambedkar Marathwada University (India).

Mr. Gautam Sawhney – Head, Customer Relation Management

Mr. Sawhney joined the Group as the Head, Customer Relations Management in February 2023. In this role, he is responsible for the Group's customer management functions pre- and post-sales.

With over 24 years of experience in the industry, he has previously worked with Citigroup, Emaar India, GE Countrywide, Godrej Properties Ltd, India Bulls Financial Services, M3M India, Odin Computers and PepsiCo restaurants.

Mr. Sawhney holds a Post Graduate Diploma in Business Management from the Lal Bahadur Shastri Institute of Management (India).

Mr. Bala Mohana Rao – Chief Audit Officer

Mr. Rao joined the Group in 2011 and has been the Chief Audit Officer since November 2022. In this role, he is responsible for managing the performance of audit assignments, reviewing audit reports, editing reports prepared by other auditors, scheduling and planning audits, initiating project planning, assessing risk and developing audit direction.

Mr. Rao holds a Bachelor of Commerce degree from Nagarjuna University (India).

Dr. C. Premkumar Naidu – Chief People Officer

Dr. Naidu joined the Group in 2014 and has been the Chief People Officer since January 2023. In this role, he is responsible for overseeing the Group's human resources management and administration functions as well as leading the Group's corporate social responsibility initiatives.

With over 30 years of experience in the field of human capital management, Dr. Naidu has previously worked with Cairn Energy, Dell International, Eicher, Nokia Corporation, Reliance Group and Tata Group in various capacities.

Dr. Naidu holds a PhD in Human Resources Management and Services from Annamalai University (India) and an MBA from Loyola Institute of Business Administration (India). He is also a qualified engineer from PSG College of Technology (India). He has also received the Global Professional in Human Resources (GPHR) accreditation from the Human Resource Certification Institute.

Mr. Rajeev Ram Ramprakash – Director – Development

Mr. Ramprakash joined the Group in 2022 and has been the Director – Development since September 2022. In this role, he is responsible for overseeing the development and management of the Group's real estate projects through their entire lifecycle (from market research and project feasibilities in pre-construction stage, design and project management during construction stage and final handover).

With over 23 years of experience in design, construction and real estate development, he has previously worked in key roles with Dubai Properties, Godrej Properties and Piramal Realty across India, UAE and U.S. (including as Senior Development Manager, Executive Vice President and Business Head).

Mr. Ramprakash holds a Post-Graduation in Management (Strategy, Leadership and Finance) from Indian School of Business, a dual Master's in Civil Engineering (Construction Management) and Architecture (Practice and Technology) from the University of Illinois (U.S.) and a Bachelor's in Architecture from Visvesvaraya College of Engineering, Bangalore (India).

Board Committees

As at the date of this Offering Circular, PNCI has four Board committees.

Investment Committee

The principal role of the Investment Committee is to oversee the Group's contemplated investments and portfolio companies and to report the results of their findings to the Board. The Investment Committee discusses the diversity and risk of the Group's investment portfolio with the Executive Leadership Team and, where appropriate, makes recommendations in respect of the selling down or acquiring such investments. The Investment Committee's members are appointed by the Board and the committee meets at least four times a year and otherwise as required.

As at the date of this Offering Circular, the Investment Committee's members were Mr. PNC Menon (chairperson), Dr. Mahmoud Al Burai, Mr. Francis Alfred and Mr. Jyoti Kumar Agarwal. The Investment Committee met four times in 2022.

Risk Management Committee

The principal role of the Risk Management Committee is to advise the Board in respect of the Group's overall risk appetite, risk tolerance and risk strategy. The Risk Management Committee assists the Board by reviewing and monitoring the Group's risk profile in respect of capital raising, liquidity management, investments/expansions, development activities and regulatory compliance. The Risk Management Committee is also responsible for the establishment and management of the Group's risk management framework. The Risk Management Committee's members are appointed by the Board and the committee meets at least four times a year and otherwise as required.

As at the date of this Offering Circular, the Risk Management Committee's members were Mr. Ravi Menon (chairperson), Dr. Mahmoud Al Burai, Mr. Francis Alfred and Mr. Jyoti Kumar Agarwal. The Risk Management Committee met four times in 2022.

Nomination and Remuneration Committee

The principal role of the Nomination and Remuneration Committee is to make recommendations to the Board on all aspects of the Group's remuneration policy (including ensuring that these policies promote the Group's long-term, sustainable success and employee well-being). The Nomination and Remuneration Committee's members are appointed by the Board and the committee meets at least twice a year and otherwise as required.

As at the date of this Offering Circular, the Nomination and Remuneration Committee's members were Mr. Francis Alfred (chairperson), Mr. Ravi Menon and Mr. Jyoti Kumar Agarwal. The Nomination and Remuneration Committee met twice in 2022.

Audit Committee

The principal role of the Audit Committee is to assist the Board in discharging its responsibilities for monitoring the integrity of the Group's financial statements and the effectiveness of its internal control systems. The Audit Committee also monitors the appointment, removal, effectiveness, performance and objectivity of the Group's internal and external auditors. The Audit Committee's members are appointed by the Board and the committee meets at least four times a year and otherwise as required.

As at the date of this Offering Circular, the Audit Committee's members were Mr. PNC Menon (chairperson), Mr. Ravi Menon and Mr. Jyoti Kumar Agarwal. The Audit Committee met four times in 2022.

Employees

As at 31 March 2023, the Group had 845 employees, compared to 892 employees as at 31 December 2022 and 584 employees as at 31 December 2021.

As at 31 March 2023, the Group's Emiratisation level was 3 per cent., compared to 2 per cent. as at 31 December 2022 and 0.3 per cent. as at 31 December 2021. The Group intends to further improve its Emiratisation level.

GLOBAL TRUST CERTIFICATE

The Global Trust Certificate contains certain provisions which apply to the Trust Certificates whilst they are represented by the Global Trust Certificate, some of which modify the effect of the Conditions. Unless otherwise defined, terms defined in the Conditions have the same meaning below.

The Trust Certificates will be in registered form. Trust Certificates will be issued and sold outside the United States in reliance on the exemption from registration provided by Regulation S.

The Trust Certificates will initially be represented by beneficial interests in a global trust certificate in registered form (a "**Global Trust Certificate**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to the Trust Certificates, beneficial interests in the Global Trust Certificate may not be offered or sold to, or for the account or benefit of, a U.S. person and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and the Global Trust Certificate will bear a legend regarding such restrictions on transfer.

The Global Trust Certificate will be deposited with the Common Depositary for Euroclear and Clearstream, Luxembourg and will be registered in the name of a nominee for the Common Depositary. Persons holding beneficial interests in the Global Trust Certificate will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Trust Certificates in fully registered form.

Payments of any amount in respect of the Global Trust Certificate will, in the absence of provision to the contrary, be made to the person shown on the relevant Register as the registered holder of the Global Trust Certificate. None of the Trustee, the Delegate or any Agent will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Trust Certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payment of any amounts in respect of the Trust Certificates will, in the absence of any provision to the contrary, be made to the persons shown on the Register on the relevant Record Date immediately preceding the due date for payment in the manner provided in the Conditions.

Interests in the Global Trust Certificate will be exchangeable (free of charge), in whole but not in part, for definitive Trust Certificates only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to Certificateholders in accordance with Condition 18 (*Notices*) if an Exchange Event occurs. For these purposes, "**Exchange Event**" means that: (a) the Delegate has given notice in accordance with Condition 15 **(***Dissolution Events***)** that a Dissolution Event has occurred and is continuing; or (b) the Trustee, PNCI and the Delegate have been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Global Trust Certificate) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (b) above, the Trustee may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

For so long as any of the Trust Certificates is represented by a Global Trust Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear and/or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular face amount of such Trust Certificates (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg as to the face amount of such Trust Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Trustee, the Delegate, PNCI and the Agents as the holder of such face amount of such Trust Certificates for all purposes other than with respect to any payment in respect of such Trust Certificates, for which purpose the registered holder of the Global Trust Certificate shall be treated by the Trustee, the Delegate, PNCI and any Agent as the holder of such face amount of such Trust Certificates in accordance with and subject to the terms of the Global Trust Certificate and the expressions "**Certificateholder**" and "**holder**" in relation to any Trust Certificates and related expressions shall be construed accordingly.

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where additional Trust Certificates are issued in accordance with Condition 21 (*Further Issues*) which are intended to form a single series with the Trust Certificates at a point after the Issue Date, such additional Trust Certificates shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to the Trust Certificates until such time as the tranches are consolidated and form a single series.

Transfers of book-entry interests in the Trust Certificates will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants.

TERMS AND CONDITIONS OF THE TRUST CERTIFICATES

The following is the text of the Terms and Conditions of the Trust Certificates, which (save for the text in italics) will be endorsed on each Trust Certificate in definitive registered form (if issued) and will apply to the Global Trust Certificate (as defined below) in respect of the Trust Certificates.

Each of the U.S.$300,000,000 trust certificates due 2028 (the "**Trust Certificates**") is issued by Sobha Sukuk Limited (in its capacities as issuer and trustee for and on behalf of the Certificateholders (as defined below), the "**Trustee**") and represents an undivided ownership interest in the Trust Assets (as defined below) held on trust (the "**Trust**") for the holders of such Trust Certificates pursuant to a declaration of trust (the "**Declaration of Trust**") dated 17 July 2023 (the "**Issue Date**") made between the Trustee, PNC Investments LLC (the "**Obligor**" or "**PNCI**") and The Law Debenture Trust Corporation p.l.c. (as donee of certain powers and as the Trustee's delegate, the "**Delegate**").

Payments relating to the Trust Certificates will be made pursuant to an agency agreement dated the Issue Date (the "**Agency Agreement**") made between the Trustee, PNCI, the Delegate and The Bank of New York Mellon, London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**" and, together with any further or other paying agents appointed from time to time in respect of the Trust Certificates, the "**Paying Agents**") and The Bank of New York Mellon SA/NV, Dublin Branch as registrar (the "**Registrar**") and as transfer agent (in such capacity, a "**Transfer Agent**", and together with any further or other transfer agents appointed from time to time in respect of the Trust Certificates, the "**Transfer Agents**"). The Paying Agents, the Registrar and the Transfer Agents are together referred to in these Conditions as the "**Agents**". References to the Agents or any of them shall include their successors.

The holders of the Trust Certificates (the "**Certificateholders**") are bound by, and are deemed to have notice of, all of the provisions applicable to them in the documents set out below, copies of which are available for inspection and/or collection by Certificateholders during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) at the specified office for the time being of the Principal Paying Agent:

(a) a purchase agreement between the Trustee, Sobha Capital LLC and PNCI dated 17 July 2023 (the "**Purchase Agreement**") including any supplemental purchase agreement (the "**Supplemental Purchase Agreement**") executed in certain circumstances described in the Purchase Agreement;

(b) a lease agreement between the Trustee, PNCI and the Delegate dated 17 July 2023 (the "**Lease Agreement**");

(c) a servicing agency agreement between the Trustee and PNCI dated 17 July 2023 (the "**Servicing Agency Agreement**");

(d) a sale and substitution undertaking executed by the Trustee as a deed dated 17 July 2023 (the "**Sale and Substitution Undertaking**") including any sale agreement (the "**Sale Agreement**") executed in certain circumstances described in the Sale and Substitution Undertaking;

(e) a purchase undertaking executed by PNCI as a deed dated 17 July 2023 (the "**Purchase Undertaking**") including any sale agreement (the "**Sale Agreement**") executed in certain circumstances described in the Purchase Undertaking;

(f) a murabaha agreement between the Trustee, PNCI and the Delegate dated 17 July 2023 (the "**Murabaha Agreement**") (including any documents, purchase orders and letters of offer and acceptance delivered or entered into as contemplated by the Murabaha Agreement);

(g) the Declaration of Trust including any supplemental declaration of trust (the "**Supplemental Declaration of Trust**") executed in certain circumstances described in the Declaration of Trust; and

(h) the Agency Agreement,

(together, the "**Transaction Documents**").

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents.

Each initial Certificateholder, by its acquisition and holding of its interest in a Trust Certificate, shall be deemed to authorise and direct the Trustee to enter into each Transaction Document to which it is a party, subject to the terms and conditions of the Declaration of Trust and these Conditions, and to apply the sums paid by it in respect of its Trust Certificates in accordance with the terms of the Transaction Documents.

1. **Interpretation**

1.1 ***Definitions***

Words and expressions defined in the Declaration of Trust and the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated. In addition, in these Conditions the following expressions have the following meanings:

"**Average Life**" means, as of the date of determination with respect to any Financial Indebtedness or Refinancing Financial Indebtedness, the quotient obtained by dividing:

(a) the sum of the products of: (i) the numbers of years from the date of determination to the date or dates of each successive scheduled principal payment of such Financial Indebtedness or Refinancing Financial Indebtedness; and (ii) the amount of each such principal payment; by

(b) the sum of all such principal payments;

"**Cancellation Date**" means the date on which Trust Certificates are to be cancelled as specified in the Cancellation Notice;

"**Cancellation Notice**" means a notice substantially in the form set out in Schedule 2 to the Sale and Substitution Undertaking;

"**Capital Stock**" means, with respect to any person, any and all shares, interests, participations or other equivalents (howsoever designated, whether voting or non-voting) or such person's equity, including any preferred stock of such person, whether outstanding on the Issue Date or issued after the date thereof including, without limitation, all series or classes of such Capital Stock;

a "**Change of Control**" shall occur if at any time any person other than Mr. PNC Menon, Mrs. Sobha Menon or their respective lineal descendants acquires, directly or indirectly, more than 50 per cent. of the issued share capital of PNCI;

"**Change of Control Dissolution Amount**" means, in relation to the Trust Certificates to be redeemed on the Change of Control Put Right Date, the sum of:

(a) the outstanding face amount of such Trust Certificates; and

(b) any due and unpaid Periodic Distribution Amounts relating to such Trust Certificates;

"**Change of Control Exercise Notice**" has the meaning given to it in Condition 11.5 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*);

"**Change of Control Notice**" has the meaning given to it in Condition 11.5 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*);

"**Change of Control Put Period**" has the meaning given to it in Condition 11.5 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*);

"**Change of Control Put Right**" has the meaning given to it in Condition 11.5 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*);

"**Change of Control Put Right Date**" shall be the tenth Payment Business Day after the expiry of the Change of Control Put Period;

"**Clean Up Call Right Dissolution Amount**" means, in relation to the Trust Certificates to be redeemed on the Clean Up Call Right Dissolution Date, the sum of:

(a) the outstanding face amount of such Trust Certificates; and

(b) any due and unpaid Periodic Distribution Amounts relating to such Trust Certificates;

"**Clean Up Call Right Dissolution Date**" has the meaning given to it in Condition 11.7 (*Dissolution at the Option of PNCI (Clean Up Call Right)*);

"**Clearstream, Luxembourg**" means Clearstream Banking S.A.;

"**Consolidated Cash and Cash Equivalents**" means, in respect of the Group, at any time the aggregate of the following:

(a) cash in hand or on deposit with any acceptable bank or any bank which is licensed by the central bank of its jurisdiction of incorporation;

(b) certificates of deposit, maturing within one year after the relevant date of calculation, issued by an acceptable bank;

(c) any investment in marketable obligations issued or guaranteed by: (i) the government of the United States of America or the United Kingdom or by an instrumentality or agency of the government of the United States of America or the United Kingdom having an equivalent credit rating; or (ii) the government of any country in which PNCI has operations, provided in the case of (ii) such obligations have a maturity of less than one year;

(d) open market commercial paper:

  (i) for which a recognised trading market exists;

  (ii) issued in the United States of America or the United Kingdom;

  (iii) which matures within one year after the relevant date of calculation; and

  (iv) which has a credit rating of either A-1 by Standard & Poor's or Fitch or P-1 by Moody's or if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its long-term debt obligations, an equivalent rating; and

(e) Sterling bills of exchange eligible for rediscount at the Bank of England and accepted by an acceptable bank in each case, to which any member of the Group is beneficially entitled at that time and which is capable of being applied against Consolidated Total Indebtedness. An acceptable bank for this purpose is a commercial bank or trust company which has a rating of BBB– or higher by Standard & Poor's or Fitch or Baa3 or higher by Moody's or a comparable rating from a nationally recognised credit rating agency for its long-term obligations;

"**Consolidated EBITDA**" means, in respect of any Measurement Period, the consolidated net pre-taxation profits of the Group for such Measurement Period as adjusted by:

(a) adding back Consolidated Net Finance Charges Payable;

(b) taking no account of any exceptional or extraordinary item;

(c) adding back any amount attributable to minority interests;

(d) adding back depreciation and amortisation; and

(e) taking no account of any revaluation of an asset or any loss or gain over book value arising on the disposal of an asset (otherwise than the ordinary course of trading) by a member of the Group during the Measurement Period,

and:

(i) including the net pre-taxation profits of a member of the Group or business or assets acquired during that Measurement Period for the part of that Measurement Period when it was not a member of the Group and/or the business or assets were not owned by a member of the Group; but

(ii) excluding the net pre-taxation profits attributable to any member of the Group or to any business or assets sold during that Measurement Period;

"**Consolidated Finance Charges Payable**" means, in respect of any Measurement Period, all Finance Charges (but excluding Finance Charges on trade payables) incurred by the Group during such Measurement Period;

"**Consolidated Finance Charges Receivable**" means, in respect of any Measurement Period, all financing charges received or receivable by the Group during such Measurement Period;

"**Consolidated Net Finance Charges Payable**" means, in respect of any Measurement Period, Consolidated Finance Charges Payable less Consolidated Finance Charges Receivable during such Measurement Period;

"**Consolidated Total Indebtedness**" means, in respect of the Group or any Subsidiary, as the case may be, at any time the aggregate of the following:

(a) the outstanding principal amount of any moneys borrowed but excluding all trade payables (as defined in the most recently available audited or auditor reviewed consolidated financial statements of PNCI or the relevant Subsidiary, as the case may be);

(b) the outstanding principal amount of any bond, sukuk, note, debenture, loan stock or other similar instrument;

(c) the capitalised element of indebtedness under a finance or capital lease;

(d) the outstanding principal amount of all moneys owing in connection with the sale or discounting of receivables (otherwise than on a non-recourse basis);

(e) the outstanding principal amount of any indebtedness arising from any deferred payment agreements arranged primarily as a method of raising finance or financing the acquisition of an asset;

(f) any fixed or minimum premium payable on the payment or redemption of any instrument referred to in paragraph (b) above;

(g) the outstanding principal amount of any indebtedness arising in connection with any other transaction (including any forward sale or purchase agreement and whether in connection with any Islamic financing arrangements or otherwise) which has the commercial effect of a borrowing; and

(h) the outstanding principal amount of any indebtedness of any person of a type referred to in paragraphs (a) to (g) above which is the subject of a guarantee, indemnity or similar assurance against financial loss given by a member of the Group or the relevant Subsidiary, as the case may be;

provided that Consolidated Total Indebtedness shall not include any indebtedness in respect of letters of credit or performance guarantees issued in the ordinary course of business to the extent such letters of credit or performance guarantees are not drawn upon or, if drawn upon, are honoured in accordance with their terms;

"**Consolidated Total Net Indebtedness**" means at any time Consolidated Total Indebtedness less Consolidated Cash and Cash Equivalents;

"**Day Count Fraction**" has the meaning given to it in Condition 8.2 (*Determination of Periodic Distribution Amount Payable other than on a Periodic Distribution Date*);

"**Dispute**" has the meaning given in Condition 23.2 (*Arbitration*);

"**Dissolution Amount**" means, as appropriate, the Final Dissolution Amount, the Tax Dissolution Amount, the Total Loss Dissolution Amount, the Tangibility Event Dissolution Amount, the Change of Control Dissolution Amount, the Optional Dissolution Amount, the Clean Up Call Right Dissolution Amount or the Dissolution Event Amount;

"**Dissolution Date**" means, as the case may be: (a) the Scheduled Dissolution Date; (b) the Tax Dissolution Date; (c) the Total Loss Dissolution Date; (d) the Tangibility Event Put Right Date; (e) the Change of Control Put Right Date; (f) the Optional Dissolution Date; (g) the Clean Up Call Right Dissolution Date; or (h) the Dissolution Event Redemption Date;

"**Dissolution Event**" has the meaning given to it in Condition 15 (*Dissolution Events*);

"**Dissolution Event Amount**" means, in relation to the Trust Certificates to be redeemed on the Dissolution Event Redemption Date, the sum of:

(a) the outstanding face amount of such Trust Certificates; and

(b) any due and unpaid Periodic Distribution Amounts relating to such Trust Certificates;

"**Dissolution Event Redemption Date**" has the meaning given to it in Condition 15 (*Dissolution Events*);

"**Dissolution Notice**" has the meaning given to it in Condition 15 (*Dissolution Events*);

"**Euroclear**" means Euroclear Bank SA/NV;

"**Exercise Notice**" means a notice substantially in the form set out in Schedule 1 to the Sale and Substitution Undertaking or the Purchase Undertaking, as applicable;

"**Extraordinary Resolution**" has the meaning given to it in Schedule 4 to the Declaration of Trust;

"**Final Dissolution Amount**" means, in relation to the Trust Certificates to be redeemed on the Scheduled Dissolution Date, the sum of:

(a) the outstanding face amount of such Trust Certificates; and

(b) any due and unpaid Periodic Distribution Amounts relating to such Trust Certificates;

"**Finance Charges**" means, for any Measurement Period, the aggregate amount of the accrued interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments in respect of Financial Indebtedness (whether, in each case, paid or payable by any member of the Group (calculated on a consolidated basis)) in respect of that Measurement Period;

"**Financial Indebtedness**" means any indebtedness for or in respect of:

(a) moneys borrowed;

(b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non- recourse basis);

(f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;

(g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);

(h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution excluding any performance or bid bonds;

(i) any amount of any liability under an advance or deferred purchase agreement if one of the primary reasons behind the entry into the agreement is to raise finance;

(j) any obligations incurred in respect of any Islamic financing arrangements; and

(k) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (j) above;

"**Fitch**" means Fitch Ratings Limited;

"**Group**" means PNCI and its Subsidiaries taken as a whole;

"**IFRS**" means International Financial Reporting Standards;

"**Incur**" and "**Incurrence**" have the meanings given to them in Condition 5.2 (*Financial Covenants*);

"**Indebtedness**" means all obligations, and guarantees or indemnities in respect of obligations, for moneys borrowed or raised (whether or not evidenced by bonds, debentures, notes or other similar instruments) or any *Shari'a* compliant alternative of the foregoing other than any such obligations, guarantees or indemnities owing or given by one member of the Group to another member of the Group;

"**Insurances**" means the insurances in respect of the Lease Assets, as provided for in the Servicing Agency Agreement;

"**Investment Grade Rating**" means a rating equal to or higher than: (a) Baa3 (or the equivalent) by Moody's; (b) BBB- (or the equivalent) by Standard & Poor's; or (c) BBB- (or the equivalent) by Fitch or in each case the equivalent thereof from any other Rating Agency (as applicable);

"**Investment Grade Status**" means that PNCI has an Investment Grade Rating from at least one Rating Agency;

"**Joint Venture Company**" means an entity which is at any particular time, jointly controlled (whether directly or indirectly) by PNCI and any other person or persons. For the purposes of this definition, an entity shall be considered as being "**jointly controlled**" by PNCI and such other person or persons if it is accounted for as a jointly controlled entity in the most recently available audited or auditor reviewed consolidated financial statements of PNCI;

"**LCIA**" means the London Court of International Arbitration;

"**Lease**" has the meaning given to it in the Lease Agreement;

"**Lease Assets**" has the meaning given to it in the Lease Agreement;

"**Lessee**" means PNCI in its capacity as lessee under the Lease Agreement;

"**Lessor**" means the Trustee in its capacity as lessor under the Lease Agreement;

"**Liability**" means, in respect of any person, any actual losses, actual damages, fees, actual costs (excluding any cost of funding and opportunity cost), charges, awards, claims, demands, expenses, judgments, actions, proceedings (or threats of any actions or proceedings) or other liabilities whatsoever including legal fees, travelling expenses and any Taxes and similar charges incurred by that person and references to "**Liabilities**" shall mean all of these;

"**Material Subsidiary**" means, at any relevant time, a Subsidiary of PNCI:

(a) whose Consolidated EBITDA (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated financial statements of PNCI and its Subsidiaries relate, are equal to) not less than 10 per cent. of the Consolidated EBITDA of PNCI, or, as the case may be, consolidated total assets, of PNCI and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated financial statements of PNCI and its Subsidiaries taken as a whole, provided that in the case of a Subsidiary of PNCI acquired after the end of the financial period to which the then latest audited consolidated financial statements of PNCI and its Subsidiaries relate, the reference to the then latest audited consolidated financial statements of PNCI and its Subsidiaries for the purposes of the calculation above shall, until consolidated financial statements for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned financial statements as if such Subsidiary had been shown in such financial statements by reference to its then latest relevant audited financial statements, adjusted as deemed appropriate by PNCI;

(b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of PNCI which immediately prior to such transfer is a Material Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this paragraph (b) on the date on which the consolidated financial statements of PNCI and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated financial statements have been prepared and audited as aforesaid by virtue of the provisions of paragraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or

(c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated financial statements of PNCI and its Subsidiaries relate, generate Consolidated EBITDA equal to) not less than 10 per cent. of the Consolidated EBITDA of PNCI, or represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of PNCI and its Subsidiaries taken as a whole, all as calculated as referred to in paragraph (a) above, provided that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate Consolidated EBITDA equal to) not less than 10 per cent. of the Consolidated EBITDA of PNCI, or its assets represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of PNCI and its Subsidiaries taken as a whole, all as calculated as referred to in paragraph (a) above, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this paragraph (c) on the date on which the consolidated financial statements of PNCI and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated financial statements have been prepared and audited as aforesaid by virtue of the provisions of paragraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition.

Any report signed by an authorised signatory of PNCI whether or not addressed to the Trustee or the Delegate that in their opinion a Subsidiary of PNCI is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Trustee and the Delegate without further enquiry or evidence and with no liability to any person therefor and, if relied upon by the Trustee or the Delegate, shall, in the absence of manifest error, be conclusive and binding on all parties;

"**Measurement Period**" means a period of 12 months ending on the last date of each period in respect of which audited or auditor reviewed consolidated financial statements of PNCI are made available;

"**Moody's**" means Moody's Investors Service, Inc.;

"**nominee**" has the meaning given to it in Condition 2.1 (*Form and Denomination*);

"**Optional Dissolution Amount**" means, in relation to the Trust Certificates to be redeemed on the Optional Dissolution Date, the sum of:

(a) 104.375 per cent. of the outstanding face amount of such Trust Certificates; and

(b) any due and unpaid Periodic Distribution Amounts relating to such Trust Certificates;

"**Optional Dissolution Date**" means 17 July 2026;

"**Partial Loss Dissolution Event**" means the termination of the Lease on the 61st day after the Partial Loss Event Date as a result of either: (a) the delivery by PNCI of a Partial Loss Termination Notice to the Trustee within 30 days after the Partial Loss Event Date in accordance with the terms of the Lease Agreement; or (b) the failure by PNCI to replace the Lease Assets within 60 days after the Partial Loss Event Date in accordance with the terms of the Servicing Agency Agreement;

"**Partial Loss Event**" means the partial impairment of one or more Lease Assets in a manner that substantially deprives the Lessee from the benefits expected from the whole of the Lease Assets, as determined by the Lessee and the occurrence of which: (a) has been certified in writing by a recognised independent industry expert; (b) has not arisen as a result of the Lessee's negligence or misconduct; and (c) does not constitute a Total Loss Event;

"**Partial Loss Event Date**" has the meaning given to it in the Lease Agreement;

"**Partial Loss Termination Notice**" has the meaning given to it in the Lease Agreement;

"**Payment Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets in London and New York City settle payments and are open for general business and, in the case of presentation of a Trust Certificate, in the place in which the Trust Certificate is presented;

"**Periodic Distribution Amount**" means, in relation to a Trust Certificate and a Return Accumulation Period, the amount of profit payable in respect of that Trust Certificate for that Return Accumulation Period as calculated in accordance with Condition 8 (*Periodic Distribution Provisions*);

"**Periodic Distribution Date**" means 17 January and 17 July in each year, commencing on 17 January 2024;

"**Permitted Financial Indebtedness**" means any one or more of the following:

(a) any Financial Indebtedness of PNCI or any Subsidiary of PNCI outstanding on the Issue Date;

(b) any Financial Indebtedness owed by PNCI or any Subsidiary of PNCI to PNCI or any other Subsidiary of PNCI; provided, however, that any subsequent disposition, pledge or transfer of such Financial Indebtedness (other than to PNCI or a Subsidiary of PNCI) shall be deemed, in each case, to constitute the Incurrence of such Financial Indebtedness by the obligor thereof;

(c) any Financial Indebtedness of PNCI or any Subsidiary of PNCI Incurred and outstanding on or prior to the date on which such Subsidiary became a Subsidiary of PNCI (other than Financial Indebtedness Incurred in connection with, or to provide all or any portion of the funds or credit support utilised to consummate, the transaction or series of related transactions pursuant to which the Subsidiary became a Subsidiary of PNCI);

(d) any amounts owed by PNCI or any Subsidiary of PNCI to suppliers, contractors, subcontractors and/or project consultants in respect of goods supplied and/or services provided, in each case in the ordinary course of business;

(e) any Project Finance Indebtedness of PNCI or a Subsidiary of PNCI or any Securitisation Indebtedness;

(f) any Financial Indebtedness for or in respect of any derivative transaction entered into solely to protect PNCI or any Subsidiary from fluctuations in profit/interest rates or financing costs or currencies (and is not for speculation);

(g) Financial Indebtedness arising from the honouring by a bank or other financial institution of a cheque, draft or similar instrument drawn against insufficient funds in the ordinary course of business, provided that such Financial Indebtedness is extinguished within 30 business days of its Incurrence;

(h) any Financial Indebtedness arising in the form of deferred payment obligations of PNCI or a Subsidiary of PNCI in respect of the acquisition of any business, assets or Capital Stock, in each case in the ordinary course of business; and

(i) any Refinancing Financial Indebtedness Incurred by PNCI or a Subsidiary of PNCI in respect of Financial Indebtedness Incurred by PNCI or a Subsidiary of PNCI: (i) at any time when PNCI had Investment Grade Status; or (ii) pursuant to paragraph (a), (b), (c), (d), (e), (f), (g) or (h) above;

"**Permitted Reorganisation**" means:

(a) (i) any disposal by any Subsidiary of PNCI of all or substantially all of its business, undertaking or assets to: (1) any of its own wholly-owned Subsidiaries; (2) PNCI; or (3) any wholly-owned Subsidiary of PNCI; or (ii) any disposal by PNCI of all or substantially all of its business, undertaking or assets to any of its wholly-owned Subsidiaries provided that, in the case of (ii) only, at the same time or prior to any such disposal, all amounts payable by PNCI under each Transaction Document to which it is a party have been assumed by such Subsidiary on terms previously approved by an Extraordinary Resolution;

(b) any amalgamation, consolidation or merger of a Subsidiary of PNCI with PNCI or with any other Subsidiary of PNCI; or

(c) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by the Delegate or by an Extraordinary Resolution;

"**Permitted Security**" means:

(a) any Security existing on the Issue Date;

(b) any Security created or outstanding with the approval of the Certificateholders by an Extraordinary Resolution;

(c) any Security on assets or property existing at the time PNCI or any Subsidiary acquired such assets or property provided that such Security was not created in contemplation of such acquisition;

(d) any Security securing Indebtedness of any person and/or its Subsidiaries existing at the time that such person is merged into or consolidated with PNCI or a Subsidiary provided that such Security was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of PNCI or any Subsidiary;

(e) any Security arising by operation of law and in the ordinary course of trading and not as result of any default or omission by PNCI or any Subsidiary;

(f) any Security not otherwise permitted under any other paragraph of this definition created by, or outstanding in respect of, PNCI and/or any Subsidiary, provided that the aggregate of all outstanding amounts secured by such Security (when aggregated with the aggregate of all outstanding amounts (if any) secured by other Security created by, or outstanding in respect of, PNCI and/or any Subsidiary (but ignoring for these purposes any outstanding amounts secured by any Security under paragraphs (a) to (d) above (inclusive) and paragraph (f) below)) does not exceed 15 per cent. of the consolidated total assets of PNCI by reference to the then latest audited or auditor reviewed consolidated financial statements of PNCI; or

(g) any renewal of or substitution for any Security permitted by any of the preceding paragraphs (a) through (f), provided that with respect to any such Security incurred pursuant to this paragraph (g), the principal amount secured has not increased and the Security has not been extended to any additional property (other than the proceeds of such property);

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**PNCI Event**" has the meaning given to it in Condition 15 (*Dissolution Events*);

"**Project Finance Indebtedness**" means any Financial Indebtedness issued, borrowed or raised by PNCI or any of its Subsidiaries to finance or refinance the ownership, acquisition, construction, development and/or operation of an asset or project where there is no recourse whatsoever for repayment thereof other than:

(a) recourse solely to the property, income, assets or revenues from such asset or project (including insurance proceeds); and/or

(b) recourse, for the purpose only of enabling amounts to be claimed in respect of such Financial Indebtedness, over such asset or project or the income, cash flow or other proceeds deriving therefrom, provided that the extent of such recourse is limited solely to the amount of any recoveries made on any such enforcement;

"**Rating Agencies**" means: (a) Standard & Poor's; (b) Moody's; (c) Fitch; and (d) if any one or more of Standard & Poor's, Moody's or Fitch do not make a rating of PNCI publicly available, one or more internationally recognised securities rating agencies selected by PNCI;

"**Record Date**" means: (a) in respect of a Global Trust Certificate, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant Periodic Distribution Date or the relevant Dissolution Date, as the case may be; and (b) in respect of Trust Certificates in definitive form, the date falling on the seventh day before the relevant Periodic Distribution Date or the Dissolution Date, as the case may be;

"**Refinancing**" means, in respect of any Financial Indebtedness, to refinance, extend, renew, refund, repay, prepay, purchase, redeem, defease or retire, or to issue other Financial Indebtedness in exchange or replacement for, such Financial Indebtedness, and "**Refinanced**" and similar terms are to be construed accordingly;

"**Refinancing Financial Indebtedness**" means Financial Indebtedness that Refinances any Financial Indebtedness of PNCI or any Subsidiary of PNCI, including Financial Indebtedness that Refinances Refinancing Financial Indebtedness; provided, however, that:

(a) such Refinancing Financial Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Financial Indebtedness being Refinanced;

(b) such Refinancing Financial Indebtedness has an Average Life at the time such Refinancing Financial Indebtedness is Incurred that is equal to or greater than the Average Life of the Financial Indebtedness being Refinanced;

(c) such Refinancing Financial Indebtedness has an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding (plus fees and expenses, including any premium) under the Financial Indebtedness being Refinanced; and

(d) if the Financial Indebtedness being Refinanced is subordinated in right of payment to PNCI's payment obligations under the Transaction Documents, such Refinancing Financial Indebtedness is subordinated in right of payment to PNCI's payment obligations under the Transaction Documents at least to the same extent as the Financial Indebtedness being Refinanced;

"**Register**" has the meaning given in Condition 2.2 (*Register*);

"**Relevant Date**" means, in relation to any payment, the date on which the payment in question first becomes due or, if the full amount payable has not been received by the Principal Paying Agent on or prior to such due date, the date on which the full amount has been so received or (if earlier) the date seven days after that on which notice is duly given to Certificateholders in accordance with Condition 18 (*Notices*) that, upon further presentation or surrender, as applicable, of the Trust Certificate being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation or surrender, as applicable;

"**Relevant Indebtedness**" means any present or future indebtedness, other than any Project Finance Indebtedness or Securitisation Indebtedness, which is in the form of, or which is represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

"**Relevant Jurisdiction**" means the Cayman Islands, the Emirate of Dubai or the United Arab Emirates or, in either case, any political subdivision or authority thereof or therein having the power to tax;

"**Relevant Period**" has the meaning given to it in Condition 8.2 (*Determination of Periodic Distribution Amount Payable other than on a Periodic Distribution Date*);

"**Relevant Sukuk Obligation**" means any Sukuk Obligation, other than any Project Finance Indebtedness or Securitisation Indebtedness, in respect of which the relevant trust certificates or other securities are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

"**Reserved Matter**" has the meaning given in Condition 19 (*Meetings of Certificateholders; Modification*);

"**Return Accumulation Commencement Date**" means the Issue Date;

"**Return Accumulation Period**" means the period from (and including) a Periodic Distribution Date (or the Return Accumulation Commencement Date) to (but excluding) the next (or first) Periodic Distribution Date;

"**Rules**" has the meaning given in Condition 23.2 (*Arbitration*);

"**Scheduled Dissolution Date**" means 17 July 2028;

"**Securitisation Indebtedness**" means any Financial Indebtedness issued, borrowed or raised by PNCI or any of its Subsidiaries in connection with any securitisation (Islamic or otherwise) of existing or future assets and/or revenues, provided that:

(a) any Security given by PNCI or any Subsidiary in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation;

(b) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the principal source of repayment for the money advanced or payment of any other liability; and

(c) there is no other recourse to PNCI or any Subsidiary in respect of any default by any person under the securitisation;

"**Security**" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Service Charge Amounts**" has the meaning given to it in the Servicing Agency Agreement;

"**Servicing Agent**" means PNCI in its capacity as servicing agent under the Servicing Agency Agreement;

"**Specified Denominations**" has the meaning given to it in Condition 2.1 (*Form and Denomination*);

"**Standard & Poor's**" means Standard & Poor's Rating Services, a division of the McGraw-Hill Companies Inc;

"**Stated Maturity**" means, with respect to any Financial Indebtedness or Refinancing Financial Indebtedness, the date specified in the relevant documentation as the fixed date on which the final payment of principal in respect thereof is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the purchase of such Financial Indebtedness at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred);

"**Subsidiary**" means in relation to any company or corporation, a company or corporation:

(a) which is controlled, directly or indirectly, by the first mentioned company or corporation;

(b) more than half of the Capital Stock of which is beneficially owned, directly or indirectly by the first mentioned company or corporation; or

(c) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation,

and for this purpose a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body;

"**Sukuk Obligation**" means any undertaking or other obligation to pay any money given in connection with any issue of trust certificates or other securities intended to be issued in compliance with the principles of *Shari'a*, whether or not in return for consideration of any kind;

"**Tangibility Event Certificateholder Put Right**" has the meaning given to it in Condition 11.4 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*);

"**Tangibility Event Dissolution Amount**" means, in relation to the Trust Certificates to be redeemed on the Tangibility Event Put Right Date, the sum of:

(a) the outstanding face amount of such Trust Certificates; and

(b) any due and unpaid Periodic Distribution Amounts relating to such Trust Certificates;

"**Tax**" means any present or future taxes, levies, imposts, duties (including stamp duties), fees, assessments or other charges of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction;

"**Tax Dissolution Amount**" means, in relation to the Trust Certificates to be redeemed on the Tax Dissolution Date, the sum of:

(a) the outstanding face amount of such Trust Certificates; and

(b) any due and unpaid Periodic Distribution Amounts relating to such Trust Certificates;

"**Tax Dissolution Date**" has the meaning given to it in Condition 11.2 (*Early Dissolution for Tax Reasons*);

"**Tax Event**" has the meaning given to it in Condition 11.2 (*Early Dissolution for Tax Reasons*);

"**Total Equity**" means the share capital of the Group for the time being issued and paid up or credited as paid up; and the aggregate of the amounts standing to the credit of the consolidated capital and revenue reserves (including share premium account, statutory reserves and profit and loss account but excluding hedging reserves) of the Group;

"**Total Loss Dissolution Amount**" means, in relation to the Trust Certificates to be redeemed on the Total Loss Dissolution Date, the sum of:

(a) the outstanding face amount of such Trust Certificates;

(b) any due and unpaid Periodic Distribution Amounts relating to such Trust Certificates; and

(c) any other amounts payable following a Total Loss Event pursuant to the Servicing Agency Agreement;

"**Total Loss Dissolution Date**" has the meaning given to it in Condition 11.3 (*Dissolution following a Total Loss Event*);

"**Total Loss Event**" has the meaning given to it in Condition 11.3 (*Dissolution following a Total Loss Event*);

"**Transaction Account**" has the meaning given to it in the Declaration of Trust;

"**Trust Assets**" means the assets, rights and/or cash described in Condition 6.1 (*Trust Assets*); and

"**U.S.$**" and "**U.S. dollars**" each means the lawful currency for the time being of the United States of America.

1.2 ***Interpretation***

In these Conditions:

(a) any reference to face amount shall be deemed to include any Dissolution Amount and any other amount in the nature of face amounts payable pursuant to these Conditions;

(b) any reference to Periodic Distribution Amounts shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Conditions 11 (*Capital Distributions of Trust*) and 13 (*Taxation*) and any other amount in the nature of a profit distribution payable pursuant to these Conditions;

(c) references to Trust Certificates being "outstanding" shall be construed in accordance with the Declaration of Trust; and

(d) any reference to a Transaction Document shall be construed as a reference to that Transaction Document as amended and/or supplemented up to and including the Issue Date.

2. **Form, Denomination and Title**

2.1 ***Form and Denomination***

The Trust Certificates are issued in registered form in face amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each a "**Specified Denomination**") and, in the case of Trust Certificates in definitive form, are serially numbered.

Upon issue, the Trust Certificates will be represented by the Global Trust Certificate which will be registered in the name of nominees for Euroclear and Clearstream, Luxembourg.

For so long as any of the Trust Certificates are represented by the Global Trust Certificate held on behalf of Euroclear and Clearstream, Luxembourg, each Person (other than Euroclear and Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear and Clearstream, Luxembourg as the holder of a particular face amount of such Trust Certificates (in which regard any certificate or other document issued by Euroclear and Clearstream, Luxembourg as to the face amount of such Trust Certificates standing to the account of any Person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Trustee, PNCI, the Delegate and the Agents as the holder of such face amount of such Trust Certificates for all purposes other than with respect to payment in respect of such Trust Certificates, for which purpose the registered holder (the "**nominee**") of the Global Trust Certificate shall be treated by the Trustee, PNCI, the Delegate and any Agent as the holder of such face amount of such Trust Certificates in accordance with and subject to the terms of the relevant Global Trust Certificate, and the expressions "**Certificateholder**" and "**holder**" in relation to any Trust Certificates and related expressions shall be construed accordingly. Each Certificateholder must look solely to Euroclear and Clearstream, Luxembourg for its share of each payment made to the nominee.

Trust Certificates which are represented by the Global Trust Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg.

These Conditions are modified by certain provisions contained in the Global Trust Certificate. Except in certain limited circumstances, owners of interests in the Global Trust Certificate will not be entitled to receive definitive Trust Certificates representing their holdings of Trust Certificates. See "Global Trust Certificate".

2.2 ***Register***

The Registrar will maintain a register (the "**Register**") of Certificateholders in respect of the Trust Certificates in accordance with the provisions of the Agency Agreement. In the case of Trust Certificates in definitive form, a definitive Trust Certificate will be issued to each Certificateholder in respect of its registered holding of Trust Certificates.

2.3 ***Title***

The Trustee, PNCI, the Delegate and the Agents may (to the fullest extent permitted by applicable laws) deem and treat the Person in whose name any outstanding Trust Certificate is for the time being registered (as set out in the Register) as the holder of such Trust Certificate or of a particular face amount of the Trust Certificates for all purposes (whether or not such Trust Certificate or face amount shall be overdue and notwithstanding any notice of ownership thereof or of trust or other interest with regard thereto, and any notice of loss or theft or any writing thereon), and the Trustee, PNCI, the Delegate and the Agents shall not be affected by any notice to the contrary.

All payments made to such registered holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for monies payable in respect of such Trust Certificate or face amount.

3. **Transfers of Trust Certificates**

3.1 ***Transfers of Beneficial Interests in the Global Trust Certificate***

Transfers of beneficial interests in the Global Trust Certificate will be effected by Euroclear and Clearstream, Luxembourg, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in the Global Trust Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Trust Certificates in definitive form only in the Specified Denomination or integral multiples thereof and only in accordance with the rules and operating procedures for the time being of Euroclear and Clearstream, Luxembourg and in accordance with the terms and conditions specified in the Declaration of Trust and the Agency Agreement.

3.2 ***Transfers of Trust Certificates in Definitive Form***

(a) *Transfer*

Subject to this Condition 3.2 and Conditions 3.3 (*Closed Periods*) and 3.4 (*Formalities Free of Charge*), a definitive Trust Certificate may be transferred in whole or in an amount equal to the Specified Denomination or any integral multiple thereof by depositing the definitive Trust Certificate, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar.

(b) *Delivery of new definitive Trust Certificates*

Each new definitive Trust Certificate to be issued upon transfer of definitive Trust Certificates will, within five business days of receipt by the Registrar of the duly completed form of transfer endorsed on the relevant definitive Trust Certificate, be mailed by uninsured mail at the risk of the holder entitled to the definitive Trust Certificate to the address specified in the form of transfer. For the purposes of this Condition, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Registrar is located.

Where some but not all of the Trust Certificates in respect of which a definitive Trust Certificate is issued are to be transferred, a new definitive Trust Certificate in respect of the Trust Certificates not so transferred will, within five business days of receipt by the Registrar of the original definitive Trust Certificate, be mailed by uninsured mail at the risk of the holder of the Trust Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

(c) *Regulations*

All transfers of definitive Trust Certificates and entries on the Register will be made subject to the detailed regulations concerning the transfer of Trust Certificates scheduled to the Declaration of Trust. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests one. Notwithstanding the above, the Trustee may from time to time agree with the Registrar reasonable regulations to govern the transfer and registration of definitive Trust Certificates.

3.3 ***Closed Periods***

No Certificateholder may require the transfer of a definitive Trust Certificate to be registered during the period of 15 days ending on a Periodic Distribution Date or a Dissolution Date or any other date on which any payment of the face amount or payment of any profit in respect of a Trust Certificate falls due.

3.4 ***Formalities Free of Charge***

Transfers of Trust Certificates on registration or exercise of an early dissolution right will be effected without charge by or on behalf of the Trustee, the Registrar or the Transfer Agents, but upon payment (or the giving of such indemnity as the Trustee, the Registrar and/or the Transfer Agents may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

3.5 ***Regulations***

All transfers of definitive Trust Certificates and entries on the Register will be made subject to the detailed regulations concerning the transfer of Trust Certificates scheduled to the Declaration of Trust. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests one. Notwithstanding the above, the Trustee may from time to time agree with the Registrar reasonable regulations to govern the transfer and registration of definitive Trust Certificates.

4. **Status and Limited Recourse**

4.1 ***Status***

Each Trust Certificate evidences an undivided ownership interest in the Trust Assets subject to the terms of the Declaration of Trust and these Conditions, and is a direct, unsubordinated, unsecured and limited recourse obligation of the Trustee. Each Trust Certificate ranks *pari passu*, without any preference or priority, with the other Trust Certificates.

The payment obligations of PNCI (in any capacity) to the Trustee under the Transaction Documents to which it is a party are and will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 5.1 (Negative Pledge)) unsecured obligations of PNCI and (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 5.1 (Negative Pledge)) at all times rank at least pari passu with all other present and future unsecured and unsubordinated obligations of PNCI from time to time outstanding.

4.2 ***Limited Recourse***

The proceeds of the Trust Assets are the sole source of payments on the Trust Certificates. Save as provided in the next sentence, the Trust Certificates do not represent an interest in or obligation of any of the Trustee, PNCI, the Delegate, the Agents or any of their respective affiliates. Accordingly, Certificateholders, by subscribing for or acquiring the Trust Certificates, acknowledge that:

(a) they will not have recourse to any assets of the Trustee, the Delegate, the Agents, or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets to the extent the Trust Assets have been exhausted following which all obligations of the Trustee shall be extinguished; and

(b) any recourse to the assets of PNCI shall be limited to the Trust Assets, which include obligations of PNCI under the Transaction Documents.

PNCI is obliged to make certain payments under the Transaction Documents directly to the Trustee (for and on behalf of the Certificateholders), and the Delegate will have recourse against PNCI to recover such payments.

The net proceeds of realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Trust Certificates. If, following the distribution of such proceeds, there remains a shortfall in payments due under the Trust Certificates, subject to Condition 16 (*Enforcement and Exercise of Rights*), no holder of Trust Certificates will have any claim against the Trustee, PNCI (to the extent that it fulfils all of its obligations under the Transaction Documents), the Delegate, the Agents or any of their respective affiliates or against any assets (other than the Trust Assets to the extent not exhausted) in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In particular, no holder of Trust Certificates will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding-up or receivership of the Trustee, PNCI (to the extent that it fulfils all of its obligations under the Transaction Documents), the Delegate, the Agents or any of their respective affiliates as a consequence of such shortfall or otherwise.

4.3 ***Agreement of Certificateholders***

By subscribing for or acquiring the Trust Certificates, each Certificateholder acknowledges and agrees that notwithstanding anything to the contrary contained herein or in any other Transaction Document:

(a) no payment of any amount whatsoever shall be made by any of the Trustee, the Delegate (acting in the name and on behalf of the Trustee) or any of their respective agents on their behalf except to the extent funds are available therefor from the Trust Assets;

(b) no recourse shall be had for the payment of any amount owing hereunder or under any relevant Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee (and/or its directors, officers, shareholders or administrators), PNCI (and/or its officers) (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate, any Agent or any of their respective agents or affiliates to the extent the Trust Assets have been exhausted following which all obligations of the Trustee, PNCI, the Delegate, any Agents and their respective agents or affiliates shall be extinguished;

(c) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, it will not institute against, or join with any other person in instituting against, the Trustee any bankruptcy, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law;

(d) no recourse under any obligation, covenant or agreement contained in any Transaction Document shall be had against any officer, agent, shareholder or director of the Trustee, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise. The obligations of the Trustee under the Transaction Documents to which it is a party are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the officers, agents, shareholders or directors of the Trustee save in the case of their wilful default or actual fraud. Reference in these Conditions to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and

(e) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Trust Certificate. No collateral is or will be given for the payment obligations by the Trustee under the Trust Certificates.

5. **Obligor Covenants**

5.1 ***Negative Pledge***

So long as any Trust Certificate remains outstanding, PNCI covenants and undertakes with the Trustee that it shall not, and it shall procure that no Material Subsidiary (other than a Material Subsidiary that is a Joint Venture Company) will, create or permit to subsist any Security, other than Permitted Security, upon the whole or any part of its present or future assets or revenues (including uncalled capital) to secure any of its Relevant Indebtedness or Relevant Sukuk Obligation or any guarantee or indemnity of its Relevant Indebtedness or Relevant Sukuk Obligation without at the same time or prior thereto securing equally and rateably therewith its obligations under the Transaction Documents to which it is a party or providing such other Security for those obligations as may be approved by the holders of the Trust Certificates by an Extraordinary Resolution.

5.2 ***Financial Covenants***

So long as any Trust Certificate remains outstanding, PNCI covenants and undertakes with the Trustee that it shall not, and it shall not permit any of its Subsidiaries to, create, issue, incur, assume, guarantee or in any manner become directly or indirectly liable with respect to or otherwise become responsible for, contingently or otherwise, the payment of (individually and collectively, to "**Incur**" or, as appropriate, an "**Incurrence**") any Financial Indebtedness (other than Permitted Financial Indebtedness); provided that PNCI and its Subsidiaries will be permitted to Incur additional Financial Indebtedness if:

(a) the ratio of Consolidated Total Net Indebtedness at the end of the immediately preceding Measurement Period to Total Equity at the end of such Measurement Period does not exceed a ratio of 1.25:1;

(b) the ratio of Consolidated EBITDA for the immediately preceding Measurement Period to Consolidated Net Finance Charges Payable for such Measurement Period is not less than a ratio of 1.5:1;

(c) the ratio of Consolidated Total Net Indebtedness at the end of the immediately preceding Measurement Period to Consolidated EBITDA for such Measurement Period does not exceed a ratio of 2.75:1; and

(d) the total equity of PNCI at the end of the immediately preceding Measurement Period (as set out in the most recently available audited or auditor reviewed consolidated financial statements of PNCI) is not less than AED 5,000,000,000.

The provisions of this Condition 5.2 shall not apply for so long as PNCI has Investment Grade Status. However, the provisions of this Condition 5.2 shall immediately apply if and for so long as PNCI ceases to have Investment Grade Status. For the purposes of this Condition 5.2, "**Permitted Financial Indebtedness**" shall be construed to refer to the date on which the provisions of this Condition 5.2 re-apply in accordance with this Condition 5.2 rather than the Issue Date.

For the purposes of this Condition 5:

(i) an accounting term used in this provision is to be construed in accordance with the principles applied in connection with the most recently available audited or auditor reviewed consolidated financial statements of PNCI;

(ii) compliance with this provision shall be assessed by reference to the most recently available audited or auditor reviewed consolidated financial statements of PNCI;

(iii) any amount in a currency other than U.S.$ is to be taken into account at its U.S.$ equivalent calculated on the basis of: (1) the Principal Paying Agent's spot rate of exchange for the purchase of the relevant currency in the London foreign exchange market with U.S.$ at or about 11:00 a.m. (London time) on the day the relevant amount falls to be calculated; or (2) if the amount is to be calculated on the last day of a financial period of PNCI, the then relevant spot rates of exchange used by PNCI in, or in connection with, its financial statements for that period; and

(iv) no item must be credited or deducted more than once in any calculation under this provision.

6. The Trust

6.1 *Trust Assets*

The "**Trust Assets**" will comprise:

(a) the cash proceeds of the Trust Certificates, pending application thereof in accordance with the terms of the Transaction Documents;

(b) the rights, title, interests, benefits and entitlements, present and future, of the Trustee in, to and under the Lease Assets;

(c) the rights, title, interests, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding: (i) any representations given by PNCI to the Trustee and the Delegate pursuant to the Transaction Documents; and (ii) the covenant given to the Trustee pursuant to clause 14.1 of the Declaration of Trust);

(d) all monies standing to the credit of the Transaction Account from time to time; and

(e) all proceeds of the foregoing.

6.2 *Application of Proceeds from the Trust Assets*

Pursuant to the Declaration of Trust, the Trustee holds the Trust Assets on trust absolutely for and on behalf of the Certificateholders. On each Periodic Distribution Date, or on any Dissolution Date, the Principal Paying Agent, notwithstanding any instructions to the contrary from the Trustee, will apply the monies standing to the credit of the Transaction Account in the following order of priority:

(a) *first*, (to the extent not previously paid) to each of the Delegate, each Agent and/or any Appointee (as defined in the Declaration of Trust) in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate, Agent (in accordance with the Agency Agreement) or Appointee, as applicable;

(b) *secondly*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;

(c) *thirdly*, only if such payment is made on any Dissolution Date, to the Principal Paying Agent in or towards payment *pari passu* and rateably of the Dissolution Amount*;*

(d) *fourthly*, only if such payment is made on any Dissolution Date on which all outstanding Trust Certificates are redeemed in full, to the Servicing Agent in or towards payment of all outstanding Service Charge Amounts (if any); and

(e) *fifthly*, only if such payment is made on any Dissolution Date on which all outstanding Trust Certificates are redeemed in full, to PNCI in or towards payment of the residual amount (if any).

7. **Trustee Covenants**

The Trustee covenants that, for so long as any Trust Certificate is outstanding, it will not (without the prior written consent of the Delegate):

(a) incur any indebtedness, in respect of borrowed money whatsoever (including any Islamic financing), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) or any other certificates except, in all cases, as contemplated in the Transaction Documents;

(b) save as permitted by the Transaction Documents, grant or permit to be outstanding any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law);

(c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interest in any of the Trust Assets, except pursuant to the Transaction Documents;

(d) use the proceeds of the issue of the Trust Certificates for any purpose other than as stated in the Transaction Documents;

(e) except as provided in Condition 19 (*Meetings of Certificateholders; Modification*), amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its memorandum and articles of association and by-laws;

(f) act as trustee in respect of any trust (other than pursuant to the Declaration of Trust);

(g) have any subsidiaries or employees;

(h) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders (excluding any consideration payable by the Trustee (acting in any capacity) to PNCI (acting in any capacity) as contemplated by the Transaction Documents or these Conditions);

(i) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up, liquidation or dissolution or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or

(j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or any permitted amendment or supplement thereto or as expressly permitted or required thereunder or engage in any business or activity other than:

    (i) any such contract, transaction, amendment, obligation or liability in relation to its operations that is of a routine or administrative nature;

(ii) as provided for or permitted in the Transaction Documents;

(iii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and

(iv) such other matters which are incidental thereto.

8. Periodic Distribution Provisions

8.1 *Periodic Distribution Amount*

The Trustee shall distribute to Certificateholders, out of amounts transferred to the Transaction Account in accordance with the Transaction Documents, Periodic Distribution Amounts, *pro rata* to their respective holdings on each Periodic Distribution Date in arrear in respect of the Return Accumulation Period ending immediately before that Periodic Distribution Date, in accordance with these Conditions.

Profit to be paid in respect of the Trust Certificates shall accrue at 8.750 per cent. per annum and, subject to these Conditions, profit distributions to be paid on each Periodic Distribution Date shall be U.S.$43.75 per U.S.$1,000 in face amount of the Trust Certificates.

8.2 *Determination of Periodic Distribution Amount Payable other than on a Periodic Distribution Date*

If a Periodic Distribution Amount is required to be calculated in respect of a period of less than a full Return Accumulation Period (the "**Relevant Period**"), it shall be calculated as an amount equal to the product of:

(a) 8.750 per cent. per annum;

(b) the face amount of the Trust Certificate; and

(c) the Day Count Fraction for such period, with the result being rounded to the nearest U.S.$0.01, U.S.$0.005 being rounded upwards. For these purposes, "**Day Count Fraction**" means, the actual number of days in the period divided by 360 (the number of days in such period to be calculated on the basis of a year of 360 days with 12 30-day months and, in the case of an incomplete month, the number of days elapsed of the Return Accumulation Period in which the Relevant Period falls (including the first day but excluding the last)).

8.3 *Cessation of Profit Entitlement*

No further amounts will be payable on any Trust Certificate from and including: (a) the Dissolution Date (excluding a Total Loss Dissolution Date), unless default is made in the payment of the Dissolution Amount in which case Periodic Distribution Amounts will continue to accrue in respect of the Trust Certificates in the manner provided in this Condition 8 to the earlier of: (i) the Relevant Date; or (ii) the date on which a sale agreement is executed pursuant to the Sale and Substitution Undertaking or the Purchase Undertaking, as the case may be; and (b) the date on which a Total Loss Event occurs (unless the Lease Assets have been replaced pursuant to the Servicing Agency Agreement).

9. Payment

Payment of Dissolution Amounts and Periodic Distribution Amounts will be made by transfer to the registered account (as defined below) of a Certificateholder. Payments of Dissolution Amounts (where all of the Trust Certificates are to be redeemed in full) will only be made against surrender of the relevant Trust Certificate (or the certificate representing such Trust Certificate) at the specified office of the Registrar or the Principal Paying Agent. Dissolution Amounts and Periodic Distribution Amounts will be paid to the Certificateholder shown on the Register at the close of business on the relevant Record Date.

For the purposes of this Condition 9, a Certificateholder's "**registered account**" means the U.S.$ account maintained by or on behalf of such Certificateholder with a bank that processes payments in U.S.$, details of which appear on the Register at the close of business on the relevant Record Date.

All such payments will be made subject to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions described in Condition 13 (*Taxation*). No commissions or expenses shall be charged to the Certificateholders in respect of such payments.

Payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the Payment Business Day preceding the due date for payment or, in the case of a payment of face amounts (where all of the Trust Certificates are to be redeemed in full) if later, on the Payment Business Day on which the relevant Trust Certificate is surrendered (where such surrender is required) at the specified office of the Registrar or the Principal Paying Agent (for value as soon as practicable thereafter).

Certificateholders will not be entitled to any payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the Certificateholder is late in surrendering its Trust Certificate (if required to do so in accordance with this Condition 9).

If the amount of any Dissolution Amount or Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount of such Dissolution Amount or Periodic Distribution Amount in fact paid.

10. Agents

10.1 *Agents of Trustee*

In acting under the Agency Agreement and in connection with the Trust Certificates, the Agents act solely as agents of the Trustee and (to the extent provided therein) the Delegate and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders.

10.2 *Specified Offices*

The names of the initial Agents are set out above. The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents, provided that:

(a) there will at all times be a Principal Paying Agent; and

(b) there will at all times be a Registrar (which may be the Principal Paying Agent).

Notice of any variation, termination or appointment and of any changes in specified offices will be given to the Certificateholders promptly by the Trustee in accordance with Condition 18 (*Notices*).

11. Capital Distributions of Trust

11.1 *Scheduled Dissolution*

Unless the Trust Certificates are redeemed, purchased and/or cancelled earlier, each Trust Certificate shall be redeemed on the Scheduled Dissolution Date at its Final Dissolution Amount. Upon payment in full of the Final Dissolution Amount, the Trust will be dissolved, the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

11.2 *Early Dissolution for Tax Reasons*

If a Tax Event occurs, upon receipt of an Exercise Notice from PNCI in accordance with the Sale and Substitution Undertaking, the Trust Certificates shall be redeemed by the Trustee in whole, but not in part, on any date (such date, the "**Tax Dissolution Date**") upon giving not less than 30 nor more than 60 days' notice to the Delegate and the Certificateholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable) at the Tax Dissolution Amount, where "**Tax Event**" means the determination by PNCI that:

(a) (i) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and (ii) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or

(b) (i) PNCI has or will become obliged to pay additional amounts pursuant to any Transaction Document to which it is a party as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and (ii) such obligation cannot be avoided by PNCI taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which: (1) (in the case of (a) above) the Trustee would be obliged to pay such additional amounts if a payment in respect of the Trust Certificates were then due; or (2) (in the case of (b) above) PNCI would be obliged to pay such additional amounts if a payment to the Trustee under the relevant Transaction Document was then due.

Prior to the publication of any notice of redemption pursuant to this Condition 11.2, the Trustee shall deliver to the Delegate: (A) a certificate signed by two directors of the Trustee (in the case of (a) above) or any two authorised signatories of PNCI (in the case of (b) above) stating that the Trustee is entitled to effect such dissolution and redemption and setting forth a statement of facts showing that the conditions precedent in (a) or (b) above to the right of the Trustee so to dissolve have occurred; and (B) an opinion of independent legal or tax advisers of recognised international standing to the effect that the Trustee or, as the case may be, PNCI has or will become obliged to pay such additional amounts as a result of such change or amendment. The Delegate shall be entitled to accept (without further investigation) any such certificate and opinion as sufficient evidence thereof without incurring any liability to any person in which event it shall be conclusive and binding on the Certificateholders.

Upon the expiry of any such notice as is referred to in this Condition 11.2, the Trustee shall be bound to redeem the Trust Certificates at the Tax Dissolution Amount and, upon payment in full of the Tax Dissolution Amount to the Certificateholders, the Trust will be dissolved, the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

11.3 ***Dissolution following a Total Loss Event***

The Trustee shall, upon receipt of notice from PNCI or otherwise becoming aware of the occurrence of a Total Loss Event (as defined below) and unless the Lease Assets are replaced as provided in the Servicing Agency Agreement by no later than the 60th day after the occurrence of a Total Loss Event, redeem the Trust Certificates in whole, but not in part, on the close of business in London on the 61st day after the occurrence of the Total Loss Event (or, if such date is not a Payment Business Day, on the immediately following Payment Business Day) (the "**Total Loss Dissolution Date**") at the Total Loss Dissolution Amount.

Upon payment in full of the Total Loss Dissolution Amount to the Certificateholders, the Trust will be dissolved, the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

A "**Total Loss Event**" is the total loss or destruction of, or damage to the whole of, the Lease Assets or any event or occurrence that renders the whole of the Lease Assets permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted by any third party in respect of the Lease Assets) the repair or remedial work in respect thereof is wholly uneconomical.

Upon the occurrence of a Total Loss Event, the Servicing Agent shall promptly notify the Lessor, the Delegate and the Trustee of the same and the Trustee shall promptly notify Certificateholders (the "**Trading Notice**"): (i) of the occurrence of a Total Loss Event; and (ii) from the date of the

Trading Notice and until any further notice from the Trustee, in consultation with the *Shari'a* Adviser, the Trust Certificates should be tradable only in accordance with the *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis).

For the avoidance of doubt, neither the Delegate nor any Agent will have any responsibility for monitoring or ensuring compliance with any such *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis) nor shall it be liable to any Certificateholder or any other persons in respect thereof.

11.4 ***Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)***

If a Tangibility Event occurs, upon receipt of a Tangibility Event Trustee Notice from PNCI in accordance with the Servicing Agency Agreement, the Trustee shall promptly give notice to the Certificateholders (a "**Tangibility Event Notice**") in accordance with Condition 18 (*Notices*) specifying:

(a) that a Tangibility Event has occurred, together with an explanation of the reasons for, and evidence of, such occurrence;

(b) that as determined in consultation with the *Shari'a* Adviser, the Trust Certificates should be tradable only in accordance with the *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis);

(c) on the date falling 15 days following the Tangibility Event Put Right Date, the Trust Certificates will be delisted from any stock exchange (if any) on which the Trust Certificates have been admitted to trading or if such date is not a business day, the next following business day ("**business day**" being, for this purpose, a day on which the stock exchange on which the Trust Certificates are admitted to trading is open for business); and

(d) the Tangibility Event Put Period, during which period any Certificateholder shall have the right to require the redemption of all or any of its Trust Certificates.

Upon receipt of the Tangibility Event Notice, the Certificateholder of any Trust Certificates may elect (the "**Tangibility Event Certificateholder Put Right**") within the Tangibility Event Put Period to require the redemption of all or any of its Trust Certificates.

If any Certificateholder exercises its right to redeem its Trust Certificates in accordance with this Condition 11.4, the Trustee shall redeem such Trust Certificates on the Tangibility Event Put Right Date at the Tangibility Event Dissolution Amount.

If the relevant Trust Certificate is represented by a Definitive Trust Certificate and held outside Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption thereof the holder of such Trust Certificate must deposit its Trust Certificates with the Principal Paying Agent on any business day in the city of the specified office of the Principal Paying Agent falling within the Tangibility Event Put Period, giving notice to the Principal Paying Agent of such exercise (a "**Tangibility Event Put Notice**") in the form obtainable from the Principal Paying Agent or the Registrar.

If the relevant Trust Certificate is represented by a Global Trust Certificate and/or held through Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption thereof the holder of such Trust Certificate must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Certificateholder's instruction by Euroclear and Clearstream, Luxembourg or any depositary or custodian (as applicable) for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time (which shall, if acceptable to the relevant clearing system, be in the form of a duly completed Tangibility Event Put Notice in the form obtainable from the Principal Paying Agent or the Registrar) and at the same time present or procure the presentation of the Global Trust Certificate to the Principal Paying Agent for notation accordingly.

No Tangibility Event Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Trust Certificate pursuant to this Condition 11.4 may be withdrawn without the prior consent of the Trustee except where, prior to the due date of redemption, a Dissolution Event has occurred and the Delegate has declared the Trust Certificates are to be redeemed pursuant to Condition 15 (*Dissolution Events*), in which event such holder, at its option, may elect by notice to the Trustee to withdraw the notice given pursuant to this Condition 11.4.

If all (and not some only) of the Trust Certificates are to be redeemed on any Tangibility Event Put Right Date in accordance with this Condition 11.4, upon payment in full of the Tangibility Event Dissolution Amount to the Certificateholders, the Trust will be dissolved, the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

In these Conditions:

"***Shari'a* Adviser**" has the meaning given to it in the Servicing Agency Agreement;

a "**Tangibility Event**" shall occur if, at any time, the Tangible Asset Ratio, other than as a result of the occurrence of a Total Loss Event or a Partial Loss Event, falls to below 33 per cent.;

"**Tangibility Event Put Period**" shall be the period of 30 days commencing on the date that is the 60th day after a Tangibility Event Notice is given;

"**Tangibility Event Put Right Date**" shall be a date falling not less than 75 days following the expiry of the Tangibility Event Put Period;

"**Tangibility Event Trustee Notice**" has the meaning given to it in the Servicing Agency Agreement; and

"**Tangible Asset Ratio**" has the meaning given to it in the Servicing Agency Agreement

For the avoidance of doubt, neither the Delegate nor any Agent will have any responsibility for monitoring or ensuring compliance with any such *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis) referred to in (b) above nor shall it be liable to any Certificateholder or any other person in respect thereof.

11.5 ***Dissolution at the Option of the Certificateholders (Change of Control Put Right)***

The Trustee, upon receipt of notice from PNCI or otherwise upon becoming aware of the occurrence of a Change of Control, and at any time following the occurrence of a Change of Control, shall promptly give notice (a "**Change of Control Notice**") to the Certificateholders in accordance with Condition 18 (*Notices*) of the Change of Control, specifying the nature and details of the Change of Control and require Certificateholders to elect (the "**Change of Control Put Right**") at any time during the period of 30 days from and including the date on which the Change of Control Notice is given (the "**Change of Control Put Period**") if they wish all or any of their Trust Certificates to be redeemed.

If a Change of Control occurs, upon a Certificateholder electing to redeem its Trust Certificates, the Trustee shall redeem such Trust Certificates on the Change of Control Put Right Date at the Change of Control Dissolution Amount.

If the relevant Trust Certificate is represented by a Definitive Trust Certificate and held outside Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption thereof the holder of such Trust Certificate must deposit its Trust Certificates with the Principal Paying Agent on any business day in the city of the specified office of the Principal Paying Agent falling within the Change of Control Put Period, giving notice to the Principal Paying Agent of such exercise (a "**Change of Control Exercise Notice**") in the form obtainable from the Principal Paying Agent or the Registrar.

If the relevant Trust Certificate is represented by a Global Trust Certificate and/or held through Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption thereof the holder of such Trust Certificate must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Certificateholder's instruction by Euroclear and Clearstream, Luxembourg or any depositary or custodian (as applicable) for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time (which shall, if acceptable to the relevant clearing system, be in the form of a duly completed Change of Control Exercise Notice in the form obtainable from the Principal Paying Agent or the Registrar) and at the same time present or procure the presentation of the Global Trust Certificate to the Principal Paying Agent for notation accordingly.

No Change of Control Exercise Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Trust Certificate pursuant to this Condition 11.5 may be withdrawn without the prior consent of the Trustee except where, prior to the due date of redemption, a Dissolution Event has occurred and the Delegate has declared the Trust Certificates are to be redeemed pursuant to Condition 15 (*Dissolution Events*), in which event such holder, at its option, may elect by notice to the Trustee to withdraw the notice given pursuant to this Condition 11.5.

If all (and not some only) of the Trust Certificates are to be redeemed on any Change of Control Put Right Date in accordance with this Condition 11.5, upon payment in full of the Change of Control Dissolution Amount to the Certificateholders, the Trust will be dissolved, the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

11.6 ***Dissolution at the Option of PNCI (Optional Dissolution Call Right)***

The Trustee, upon receipt of an Exercise Notice from PNCI in accordance with the Sale and Substitution Undertaking, shall redeem the Trust Certificates in whole, but not in part, on the Optional Dissolution Date upon giving not less than 30 nor more than 60 days' notice to the Delegate and the Certificateholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable) at the Optional Dissolution Amount.

Upon payment in full of the Optional Dissolution Amount to the Certificateholders, the Trust will be dissolved, the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

11.7 ***Dissolution at the Option of PNCI (Clean Up Call Right)***

If 75 per cent. or more of the aggregate face amount of the Trust Certificates then outstanding have been redeemed and/or purchased and cancelled pursuant to this Condition 11 or Condition 12 (*Purchase and Cancellation of Trust Certificates*), and upon receipt of an Exercise Notice from PNCI in accordance with the Sale and Substitution Undertaking, the Trustee shall redeem the Trust Certificates in whole but not in part, on the Trustee giving not less than 30 days' nor more than 60 days' notice to the Delegate and the Certificateholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable) on the date specified in such notice (the "**Clean Up Call Right Dissolution Date**") at the Clean Up Call Right Dissolution Amount.

11.8 ***Dissolution following a Dissolution Event***

Upon the occurrence of a Dissolution Event, the Trust Certificates shall be redeemed at the Dissolution Event Amount, subject to and as more particularly described in Condition 15 (*Dissolution Events*) and this Condition 11 (*Capital Distributions of Trust*).

11.9 ***No Other Optional Early Dissolution***

Neither the Trustee nor the Certificateholders shall be entitled to redeem, or cause to be redeemed, as applicable, the Trust Certificates, otherwise than as provided in this Condition 11 (*Capital Distributions of Trust*) and Condition 15 (*Dissolution Events*).

11.10 ***Cancellation***

All Trust Certificates which are redeemed will forthwith be forwarded by or on behalf of the Trustee to the Registrar, cancelled and destroyed and accordingly may not be held, reissued or resold.

12. **Purchase and Cancellation of Trust Certificates**

12.1 ***Purchases***

PNCI and/or any Subsidiary of PNCI may at any time purchase Trust Certificates at any price in the open market or otherwise at any price. Following any purchase of Trust Certificates pursuant to this Condition 12.1, such Trust Certificates may be held, resold or, at the discretion of the holder thereof, cancelled (subject to such Trust Certificates being deemed not to remain outstanding for certain purposes as provided under the Declaration of Trust and these Conditions if so held, as more particularly set out in Condition 19 (*Meetings of Certificateholders; Modification*)).

12.2 ***Cancellation***

Upon receipt of a Cancellation Notice from PNCI in accordance with the Sale and Substitution Undertaking, Trust Certificates purchased by or on behalf of PNCI or any Subsidiary and identified for cancellation in such Cancellation Notice will forthwith be forwarded by or on behalf of the Trustee to the Registrar, cancelled and destroyed and accordingly may not be held, reissued or resold.

13. **Taxation**

All payments in respect of the Trust Certificates shall be made in U.S.$ without set-off or counterclaim of any kind and free and clear of, and without withholding or deduction for, any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or within a Relevant Jurisdiction or any authority therein or thereof having power to tax, unless the withholding or deduction is required by law. In that event, the Trustee shall pay such additional amounts as will result in receipt by the Certificateholders of such amounts as would have been received by them, had no such withholding or deduction been required, except that no such additional amount shall be payable in respect of any Trust Certificate:

(a) held by or on behalf of a holder who is liable for such Taxes in respect of such Trust Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of the Trust Certificate; or

(b) where the relevant Trust Certificate is required to be surrendered for payment and is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Certificateholder would have been entitled to such additional amount if it surrendered the relevant Trust Certificate for payment on the last day of such period of 30 days.

14. **Prescription**

The rights to receive distributions in respect of the Trust Certificates will be forfeited unless claimed within periods of 10 years (in the case of Dissolution Amounts) and five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof.

15. **Dissolution Events**

If any of the following events occurs and is continuing (each, a "**Dissolution Event**"):

(a) default is made in the payment of the Dissolution Amount on the date fixed for payment thereof or default is made in the payment of any Periodic Distribution Amount on the due date for payment thereof and, in the case of the Dissolution Amount, such default continues unremedied for a period of seven days and, in the case of a Periodic Distribution Amount, such default continues unremedied for a period of 14 days; or

(b) the Trustee fails to perform or comply with any one or more of its other duties, obligations or undertakings under the Trust Certificates or the Transaction Documents, which failure is, in the sole opinion of the Delegate, incapable of remedy or, if in the sole opinion of the Delegate is capable of remedy, is not remedied within the period of 30 days following the service by the Delegate of a written notice on the Trustee requiring the same to be remedied; or

(c) a PNCI Event occurs; or

(d) the Trustee is insolvent or bankrupt or unable to pay its debts as they fall due, makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Trustee; or

(e) a corporate administrator of all or substantially all of the undertaking assets and revenues of the Trustee is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Trustee, or the Trustee applies or petitions for a winding-up or administration order in respect of itself or ceases or through an official action of its board of directors threatens to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution or the Delegate; or

(f) any event occurs that under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraphs (d) or (e) above; or

(g) the Trustee repudiates any, or any part of a, Trust Certificate or Transaction Document to which it is a party or does or causes to be done any act or thing evidencing an intention to repudiate any, or any part of a, Trust Certificate or Transaction Document to which it is a party; or

(h) at any time it is or will become unlawful for the Trustee (by way of insolvency or otherwise) to perform or comply with any or all of its duties, obligations and undertakings under the Trust Certificates or the Transaction Documents or any of the obligations of the Trustee under the Trust Certificates or the Transaction Documents are not or cease to be legal, valid, binding and enforceable,

the Delegate, upon receiving notice thereof in accordance with the Declaration of Trust and subject to it being indemnified and/or secured and/or prefunded to its satisfaction, shall give notice of the occurrence of such Dissolution Event to the holders of Trust Certificates in accordance with Condition 18 (*Notices*) with a request to such holders to indicate to the Trustee and the Delegate if they wish the Trust Certificates to be redeemed and the Trust to be dissolved. Following the issuance of such notice, the Delegate in its sole discretion may, and if so requested by Extraordinary Resolution or in writing by the holders of at least 25 per cent. of the aggregate face amount of Trust Certificates then outstanding shall, (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice (a "**Dissolution Notice**") to the Trustee, PNCI and the holders of the Trust Certificates in accordance with Condition 18 (*Notices*) that the Trust Certificates are immediately due and payable at the Dissolution Event Amount, on the date of such notice (the "**Dissolution Event Redemption Date**"), whereupon they shall become so due and payable.

Upon payment in full of such amounts, the Trust will be dissolved, the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

For the purposes of paragraph (a) above, amounts shall be considered due in respect of the Trust Certificates (including for the avoidance of doubt any amounts calculated as being payable under Condition 8 (*Periodic Distribution Provisions*) and Condition 11 (*Capital Distributions of Trust*)) notwithstanding that the Trustee has at the relevant time insufficient funds or Trust Assets to pay such amounts.

For the purposes of this Condition 15, "**PNCI Event**" shall mean each of the following events:

(i) if default is made in the payment by PNCI (acting in any capacity) of any amount in the nature of: (1) principal (required in order to allow the Trustee (or the Principal Paying Agent on its behalf) to make payment of any Dissolution Amount (in full or in part) when due under the Trust Certificates); or (2) profit (required in order to allow the Trustee (or the Principal Paying Agent on its behalf) to make payment of any Periodic Distribution Amount (in full or in part) when due under the Trust Certificates) payable by it pursuant to any Transaction Document to which it is a party and, in the case of (1) the default continues for a period of seven days and, in the case of (2), the default continues for a period of 14 days; or

(ii) occurrence of a Partial Loss Dissolution Event; or

(iii) if PNCI (acting in any capacity): (1) delivers a notice to the Trustee and/or the Delegate pursuant to clause 5.1.4 of the Servicing Agency Agreement; or (2) fails to perform or observe any one or more of its other obligations under the Transaction Documents (other than its obligations as set out in: (A) clauses 5.1 and 5.4 of the Servicing Agency Agreement; and (B) clause 9 of the Servicing Agency Agreement (save for the delivery of the Tangibility Event Trustee Notice)), which failure is, in the sole opinion of the Delegate, incapable of remedy or, if in the sole opinion of the Delegate capable of remedy, is not, in the sole opinion of the Delegate, remedied within the period of 30 days following the service by the Delegate on PNCI of notice requiring the same to be remedied; or

(iv) (1) any Indebtedness of PNCI or any Material Subsidiary is not paid when due or (as the case may be) within any originally applicable grace period; (2) any such Indebtedness becomes due and payable prior to its stated maturity by reason of default (however described); or (3) PNCI or any Material Subsidiary fails to pay when due or (as the case may be) within any originally applicable grace period any amount payable by it under any guarantee of any Indebtedness, provided that each such event shall not constitute a PNCI Event unless the aggregate amount of all such Indebtedness, either alone or when aggregated with all other Indebtedness in respect of which such an event shall have occurred and be continuing, shall be more than U.S.$50,000,000 (or its equivalent in any other currency or currencies); or

(v) one or more judgments or orders for the payment of any sum in excess of U.S.$50,000,000 is rendered against PNCI or any Material Subsidiary and continues unsatisfied, unstayed and unappealed for a period of 30 days after the date thereof (or, if appealed, the appeal is unsuccessful and thereafter the judgment continues unsatisfied and unstayed for a period of 30 days); or

(vi) any order is made by any competent court or resolution passed for the winding-up or dissolution of PNCI or any Material Subsidiary, save in connection with a Permitted Reorganisation; or

(vii) PNCI or any Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business, save in connection with a Permitted Reorganisation, or PNCI or any Material Subsidiary stops or threatens to stop payment of, or is unable to, or admits its inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(viii) (1) any court or other formal proceedings are initiated under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by PNCI or the relevant Material Subsidiary), or an administrative or other receiver, manager, administrator or other similar official is appointed, in each case against or in relation to PNCI or any Material Subsidiary or, as the case may be, in relation to all or substantially all of the undertaking or assets of PNCI, or all or substantially all of the undertaking or assets of such Material Subsidiary, in each case, save in connection with a Permitted Reorganisation; and/or (2) an encumbrancer takes possession of all or substantially all of the undertaking or assets of PNCI, or all or substantially all of the undertaking or assets of any Material Subsidiary, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against any of the same; and (3) any such event as is mentioned in (1) or (2) above (other than the appointment of an administrator) is not discharged within 30 days; or

(ix) PNCI or any Material Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) save in connection with a Permitted Reorganisation; or

(x) any event occurs which under the laws of the United Arab Emirates or any Emirate therein or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (vi) to (ix) above; or

(xi) at any time it is or becomes unlawful for PNCI to perform or comply with any or all of its obligations under or in respect of any Transaction Document or any of the material obligations of PNCI thereunder are not or cease to be legal, valid, binding or enforceable; or

(xii) all or substantially all of any of PNCI's Material Subsidiaries' revenues or assets are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any national, regional or local government,

provided, however, that, in the case of the happening of any of the events described in paragraphs (iii) or (other than the winding-up or dissolution of PNCI) (v) to (xii) (inclusive) above, the Delegate shall have certified in writing to PNCI that such event is, in its opinion, materially prejudicial to the interests of the holders of the Trust Certificates.

16. Enforcement and Exercise of Rights

16.1 *Limitation on Liability of the Trustee*

Following the enforcement, realisation and ultimate distribution of the proceeds of the Trust Assets in respect of the Trust Certificates to the Certificateholders in accordance with these Conditions and the Declaration of Trust, the Trustee shall not be liable for any further sums, and accordingly no Certificateholder may take any action against the Trustee or any other Person to recover any such sum in respect of the Trust Certificates or Trust Assets.

16.2 *Delegate not Obliged to take Action*

The Delegate shall not be bound in any circumstances to take any action to enforce or to realise the Trust Assets or take any action, step or proceedings against PNCI and/or the Trustee under any Transaction Document unless directed or requested to do so by Extraordinary Resolution or in writing by the holders of at least 25 per cent. in aggregate face amount of the Trust Certificates then outstanding and subject, in each case, to it being indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

16.3 ***Direct enforcement by Certificateholders***

No Certificateholder shall be entitled to proceed directly against the Trustee or PNCI, under any Transaction Document, unless the Delegate, having become so bound to proceed: (a) fails to do so within 30 days of becoming so bound; or (b) is unable by reason of an order of a court having competent jurisdiction, and such failure or inability is continuing. Under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents and/or these Conditions), and the sole right of the Trustee, the Delegate and the Certificateholders against the Trustee and PNCI, as applicable, shall be to enforce their respective obligations under the Transaction Documents.

16.4 ***Limited Recourse***

Conditions 16.1 (*Limitation on Liability of the Trustee*), 16.2 (*Delegate not Obliged to take Action*) and 16.3 (*Direct enforcement by Certificateholders*) are subject to this Condition 16.4. After enforcing or realising the Trust Assets in respect of the Trust Certificates and distributing the net proceeds of the Trust Assets in accordance with Condition 6.2 (*Application of Proceeds from the Trust Assets*) and the Declaration of Trust, the obligations of the Trustee in respect of the Trust Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee or the Delegate or any other Person to recover any further sums in respect of the Trust Certificates and the right to receive any such sums unpaid shall be extinguished.

17. **Replacement of Definitive Trust Certificates**

Should any definitive Trust Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Trustee and/or the Registrar may reasonably require (in light of prevailing market practice). Mutilated or defaced definitive Trust Certificates must be surrendered and cancelled before replacements will be issued.

18. **Notices**

All notices to the Certificateholders will be valid if mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses in the Register.

The Trustee shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) on which the Trust Certificates are for the time being admitted to trading and/or quotation (as applicable).

Any notice shall be deemed to have been given on the fourth day (other than a Saturday or Sunday) after being mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

So long as the Global Trust Certificate representing the Trust Certificates is held in its entirety on behalf of Euroclear and Clearstream, Luxembourg, there may be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the Certificateholders. Any such notice shall be deemed to have been given to the Certificateholders on the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Certificateholder shall be in writing and given by lodging the same with the Principal Paying Agent. Whilst any of the Trust Certificates are represented by the Global Trust Certificate, such notice may be given by any holder of a Trust Certificate to the Principal Paying Agent through Euroclear and Clearstream, Luxembourg, in such manner as the Principal Paying Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

19. **Meetings of Certificateholders; Modification**

19.1 The Declaration of Trust contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Declaration of Trust. Such a meeting may be convened by the Trustee, PNCI or the Delegate, and shall be convened by the Trustee, or, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, the Delegate, if the Trustee or the Delegate (as the case may be) receives a request in writing from Certificateholders holding not less than 10 per cent. in aggregate face amount of the Trust Certificates for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more Persons holding or representing more than 50 per cent. in aggregate face amount of the Trust Certificates for the time being outstanding, or at any adjourned meeting one or more Persons being or representing Certificateholders whatever the aggregate face amount of the Trust Certificates held or represented, unless the business of such meeting includes consideration of proposals to (each, a "**Reserved Matter**"):

(a) amend any Dissolution Date in respect of the Trust Certificates or any date for payment of Periodic Distribution Amounts on the Trust Certificates;

(b) reduce or cancel the face amount of, or any premium payable on redemption of, the Trust Certificates;

(c) reduce the rate of profit in respect of the Trust Certificates or to vary the method or basis of calculating the rate or amount of profit or the basis for calculating any Periodic Distribution Amount in respect of the Trust Certificates;

(d) vary any method of, or basis for, calculating the Dissolution Amount;

(e) vary the currency of payment or denomination of the Trust Certificates;

(f) modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution;

(g) modify or cancel the payment obligations of PNCI (in any capacity) and/or the Trustee under the Transaction Documents and/or the Trust Certificates (as the case may be);

(h) amend any of PNCI's covenants included in the Purchase Undertaking;

(i) amend the order of application of monies set out in Condition 6.2 (*Application of Proceeds from Trust Assets*); or

(j) amend this definition,

in which case the necessary quorum shall be one or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate face amount of the Trust Certificates for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Certificateholders (whether or not they voted on the resolution).

The Declaration of Trust provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Trust Certificates outstanding or a resolution approved by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) to the Principal Paying Agent or another specified agent and/or the Delegate in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in face amount of the Trust Certificates outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Any such resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders.

19.2 The Delegate may, without the consent or sanction of the Certificateholders and without prejudice to its rights in respect of any subsequent breach, from time to time and at any time: (a) agree to any modification of any of the provisions of the Declaration of Trust or any other Transaction

Document that is, in the sole opinion of the Delegate, of a formal, minor or technical nature or is made to correct a manifest error or is not materially prejudicial to the interests of the outstanding Certificateholders and provided that such modification is other than in respect of a Reserved Matter; or (b) (i) agree to waive or authorise any breach or proposed breach of any of the provisions of the Declaration of Trust or any other Transaction Document; (ii) determine that any Dissolution Event shall not be treated as such; or (iii) provide its consent to any matter in any Transaction Documents, provided that such waiver, consent, authorisation or determination is in the sole opinion of the Delegate not materially prejudicial to the interests of the outstanding Certificateholders and is other than in respect of a Reserved Matter and not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of Trust Certificates. No such direction or request will affect a previous waiver, consent, authorisation or determination. Any such modification, authorisation, determination, waiver or consent shall be binding on all Certificateholders and, unless the Delegate agrees otherwise, such modification, waiver, consent, authorisation or determination shall be notified by the Trustee (or PNCI on its behalf) to the Certificateholders in accordance with Condition 18 (*Notices*) as soon as practicable.

19.3 In connection with the exercise of its rights, powers, trusts (in the case of the Trustee only), authorities and discretions under the Declaration of Trust (including, without limitation, any modification), these Conditions and each other Transaction Document, the Trustee and the Delegate shall have regard to the general interests of the Certificateholders as a class and shall not have regard to any interest arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof or taxing jurisdiction and neither the Delegate nor the Trustee shall be entitled to require, nor shall any Certificateholder be entitled to claim from the Trustee, PNCI or the Delegate or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders (except, in the case of the Trustee and PNCI to the extent already provided for in Condition 13 (*Taxation*)).

20. Indemnification and Liability of the Delegate

20.1 The Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

20.2 The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of PNCI (acting in any capacity) under any Transaction Document and shall not under any circumstances have any Liability or be obliged to account to the Certificateholders in respect of any payment which should have been made by PNCI (acting in any capacity), but is not so made, and shall not in any circumstances have any Liability arising from the Trust Assets other than as expressly provided in these Conditions or in the Declaration of Trust.

20.3 Each of the Delegate and the Trustee is exempted from: (a) any Liability in respect of any loss or theft of the Trust Assets or any cash; (b) any obligation to insure the Trust Assets or any cash; and (c) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depositary or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of wilful default, gross negligence or fraud of the Delegate or the Trustee, as the case may be.

21. Further Issues

The Trustee shall, subject to and in accordance with the Declaration of Trust, be at liberty from time to time without the consent of the Certificateholders to create and issue additional Trust Certificates having the same terms and conditions as the outstanding Trust Certificates (or terms and conditions which are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue), and so that the same shall be consolidated and form a single series with the outstanding Trust Certificates. Any additional Trust Certificates which are to form a single series with the outstanding Trust Certificates previously constituted by the Declaration of Trust shall be constituted by a Supplemental Declaration of Trust. References in these Conditions to the Trust Certificates include (unless the context requires otherwise) any other trust certificates issued pursuant to this Condition and forming a single series with the outstanding Trust Certificates.

22. Contracts (Rights of Third Parties) Act 1999

No Person shall have any right to enforce any term or condition of the Trust Certificates under the Contracts (Rights of Third Parties) Act 1999.

23. Governing Law and Dispute Resolution

23.1 *Governing Law*

The Declaration of Trust (including these Conditions) and the Trust Certificates and any non-contractual obligations arising out of or in connection with the same are and shall be governed by, and construed in accordance with, English law.

23.2 *Arbitration*

Subject to Condition 23.3 (*Option to Litigate*), any dispute, claim, difference or controversy arising out of, relating to or having connection with the Declaration of Trust and/or the Trust Certificates (which includes these Conditions) (including any dispute, claim, difference or controversy as to their existence, validity, interpretation, performance, breach or termination of the Declaration of Trust or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a "**Dispute**") shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the LCIA (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition 23. For these purposes:

(a) the seat of arbitration shall be London;

(b) there shall be three arbitrators, each of whom shall be a lawyer experienced in international securities transactions. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator, and a third arbitrator (who shall act as presiding arbitrator) shall be nominated by the arbitrators nominated by or on behalf of the claimant(s) and respondent(s) or, in the absence of agreement on the third arbitrator within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA Court (as defined in the Rules); and

(c) the language of the arbitration shall be English.

23.3 *Option to Litigate*

Notwithstanding Condition 23.2 (*Arbitration*), the Delegate may, in the alternative, and at its sole discretion, by notice in writing to the Trustee or PNCI:

(a) within 28 days of service of a Request for Arbitration (as defined in the Rules); or

(b) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If the Delegate gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 23.5 (*Effect of Exercise of Option to Litigate*) and, subject as provided below, any arbitration commenced under Condition 23.2 (*Arbitration*) in respect of that Dispute will be terminated. Each of the parties to the terminated arbitration (other than the Delegate, whose costs will be borne by PNCI) will bear its own costs in relation to the terminated arbitration.

23.4 *Notice to Terminate*

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the Delegate must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

(a) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;

(b) his entitlement to be paid his proper fees and disbursements; and

(c) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

23.5 ***Effect of Exercise of Option to Litigate***

In the event that a notice pursuant to Condition 23.3 (*Option to Litigate*) is issued, the following provisions shall apply:

(a) subject to paragraph (c) below, the courts of England at the option of the Delegate, shall have exclusive jurisdiction to settle any Dispute and each of the Trustee and PNCI submits to the exclusive jurisdiction of such courts;

(b) each of the Trustee and PNCI agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

(c) this Condition 23.5 is for the benefit of the Delegate only. As a result, and notwithstanding paragraph (a) above, to the extent allowed by law, the Delegate may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Delegate may take concurrent Proceedings in any number of jurisdictions.

23.6 ***Service of Process***

Each of the Trustee and PNCI has irrevocably appointed Sobha Real Estate UK Limited at 92 Park Lane, Mayfair, London W1K 7TA, United Kingdom to receive for it and on its behalf, service of process in respect of any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Trustee or PNCI, as the case may be). If for any reason such process agent ceases to be able to act as such or no longer has an address in England, each of the Trustee and PNCI shall forthwith appoint a new agent for service of process in England and notify the Delegate and the Certificateholders of such appointment (in accordance with Condition 18 (*Notices*)) within 30 days. Nothing herein shall affect the right to serve process in any other manner permitted by law.

24. **Waiver of Immunity**

Under the Declaration of Trust, PNCI has agreed, to the extent that PNCI may claim, in any jurisdiction, for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any jurisdiction to PNCI or its assets or revenues, it shall not claim and it shall irrevocably and unconditionally waive such immunity to the fullest extent permitted by the laws of such jurisdiction in relation to any Proceedings or Disputes. Further, each of PNCI and the Trustee have irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any of its assets whatsoever of any award, order or judgment made or given in connection with any Proceedings or Disputes.

25. **Waiver of Interest**

25.1 Each of the Trustee, PNCI and the Delegate has in the Declaration of Trust irrevocably agreed that no interest will be payable or receivable under or in connection therewith or any other Transaction Document and each party agrees that it will not claim any interest in respect of any proceedings brought by or on behalf of a party under the Declaration of Trust or any other Transaction Document.

25.2 If it is determined that any interest is payable or receivable in connection therewith or any other Transaction Document by a party, whether as a result of any judicial or arbitral award or by operation of any applicable law or otherwise, such party has agreed in the Declaration of Trust to waive any rights it may have to claim or receive such interest and has agreed therein that if any such interest is actually received by it, it shall promptly donate the same to a registered or otherwise officially recognised charitable organisation.

25.3 For the avoidance of doubt, nothing in this Condition 25 shall be construed as a waiver of rights in respect of any Periodic Distribution Amounts, Required Amounts, Rentals, Dissolution Amounts, Exercise Price, Tangibility Event Certificateholder Put Right Exercise Price, Change of Control Exercise Price, Optional Dissolution Exercise Price, Full Reinstatement Value, Loss Shortfall Amount, Deferred Sale Price, Profit Amount Instalments, Profit Amounts or profit or principal or other amount payable of any kind howsoever described payable by PNCI (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents and/or these Conditions, howsoever such amounts may be described or recharacterised by any court or arbitral tribunal.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection and/or collection at the specified office of the Principal Paying Agent (as defined in the Conditions). Words and expressions defined in the Conditions shall have the meanings in this summary.

The Declaration of Trust

The Declaration of Trust will be entered into between the Trustee, PNCI and the Delegate and will be governed by English law. Pursuant to the Declaration of Trust, the Trustee will declare a trust for the benefit of the Certificateholders over the Trust Assets.

The Trust Assets will comprise, *inter alia*, the rights, title, interests, benefits and entitlements, present and future, of the Trustee in, to and under the Lease Assets, the rights, title, interests, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding: (i) any representations given by PNCI to the Trustee and the Delegate pursuant to the Transaction Documents; and (ii) the covenant given to the Trustee pursuant to clause 14.1 of the Declaration of Trust) and all monies standing to the credit of the Transaction Account from time to time.

Pursuant to the Declaration of Trust, the Trustee will agree to act for and on behalf of the Certificateholders and, *inter alia*:

(a) hold the Trust Assets on trust absolutely for the Certificateholders as tenants in common *pro rata* according to the face amount of Trust Certificates held by each Certificateholder; and

(b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Declaration of Trust.

The Declaration of Trust will specify, *inter alia*:

(a) no recourse shall be had for the payment of any amount under the Declaration of Trust or under any Transaction Document, whether for the payment of any fee, indemnity or other amount under the Declaration of Trust or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee (and/or its directors, officers, shareholders or administrators), the Delegate, any Agent or any of their respective agents or affiliates to the extent the Trust Assets have been exhausted following which all obligations of the Trustee, the Delegate, any Agents and their respective agents or affiliates shall be extinguished;

(b) the Trustee may from time to time (but subject always to the provisions of the Declaration of Trust), without the consent of the Certificateholders, create and issue additional Trust Certificates having the same terms and conditions as the outstanding Trust Certificates (or terms and conditions which are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue), and so that the same shall be consolidated and form a single series with the outstanding Trust Certificates. Any additional Trust Certificates which are to be created and issued so as to form a single series with the outstanding Trust Certificates shall be constituted by a supplemental declaration of trust in relation to which all applicable stamp duties or other documentation fees, duties or taxes have been paid and, if applicable, duly stamped and containing such other provisions as are necessary (including making such consequential modifications to the Declaration of Trust) in order to give effect to the issue of such additional Trust Certificates; and

(c) on the date upon which any additional Trust Certificates are created and issued pursuant to the provisions described in paragraph (b) above, the Trustee will execute a declaration of commingling of assets for and on behalf of the holders of the existing Trust Certificates and the holders of such additional Trust Certificates so created and issued, declaring that the additional Assets (as set out in the declaration of commingling of assets) and the Lease Assets in respect of the Trust Certificates as in existence immediately prior to the creation and issue of the additional Trust Certificates and the investments made pursuant to the Murabaha Agreement (and all rights arising under or with respect to such investments made pursuant to the Murabaha Agreement) are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Trust Certificates and the holders of such additional Trust Certificates as tenants in common *pro rata* according to the face amount of Trust Certificates held by each Certificateholder, in accordance with the Declaration of Trust.

In the Declaration of Trust, the Trustee will irrevocably and unconditionally appoint the Delegate to, *inter alia*, exercise all the present and future powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Declaration of Trust) and discretions vested in the Trustee by the relevant provisions of the Declaration of Trust. The appointment of the Delegate by the Trustee is intended to be in the interests of the Certificateholders and, subject as provided in the Declaration of Trust, does not affect the Trustee's continuing role and obligations as trustee of the trusts created pursuant to the Declaration of Trust.

In the Declaration of Trust the Delegate will undertake that, *inter alia,* if it has received express notice pursuant to the Declaration of Trust of the occurrence of a Dissolution Event in respect of any Trust Certificates and subject to Condition 15 (*Dissolution Events*): (i) it shall, as soon as reasonably practicable, give notice of the occurrence of such Dissolution Event to the Certificateholders in accordance with Condition 18 (*Notices*) with a request to such holders to indicate whether they wish the Trust Certificates to become immediately due and payable; and (ii) if so requested by Extraordinary Resolution or in writing by Certificateholders representing not less than 25 per cent. in aggregate face amount of the Trust Certificates for the time being outstanding (subject to being indemnified and/or secured and/or prefunded to its satisfaction), or if the Delegate decides in its discretion, it shall give notice to the Trustee, PNCI and the Certificateholders in accordance with Condition 18 (*Notices*) that the Trust Certificates are to be redeemed on the Dissolution Event Redemption Date specified in such notice at the Dissolution Amount.

A non-interest bearing Transaction Account in London will be established in the name of the Trustee in respect of the Trust Certificates. Monies received in the Transaction Account will, *inter alia*, comprise payments corresponding to Periodic Distribution Amounts and/or Dissolution Amounts immediately prior to each Periodic Distribution Date and/or any Dissolution Date, as the case may be. The Declaration of Trust provides that all moneys standing to the credit of the Transaction Account from time to time will be applied in the manner set out in Condition 6.2 (*Application of Proceeds from the Trust Assets*).

In the Declaration of Trust, PNCI will undertake that: (i) if, at the time of delivery of the Exercise Notice in accordance with the provisions of the Purchase Undertaking, PNC Investments LLC remains in actual or constructive possession, custody or control of all or any part of the Lease Assets, the Tangibility Event Certificateholder Put Right Lease Assets or the Change of Control Put Right Lease Assets, as the case may be; and (ii) if, following delivery of the Exercise Notice in accordance with the provisions of the Purchase Undertaking, the Exercise Price, the Tangibility Event Certificateholder Put Right Exercise Price or the Change of Control Exercise Price, as the case may be, is not paid in accordance with the provisions of the Purchase Undertaking for any reason whatsoever, PNCI shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the Trust Certificates then outstanding or the Tangibility Event Certificateholder Put Right Certificates or the Change of Control Put Right Trust Certificates (each as defined in the Purchase Undertaking), as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price, the Tangibility Event Certificateholder Put Right Exercise Price or the Change of Control Exercise Price, as the case may be.

PNCI will further undertake that, if the outstanding Deferred Sale Price is not paid on the relevant Dissolution Date in accordance with the provisions of the Murabaha Agreement for any reason whatsoever, PNCI shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the Trust Certificates then outstanding and, accordingly, the amount payable under any such indemnity claim will equal the outstanding Deferred Sale Price.

In addition, if the Trustee fails to comply with any obligation to pay additional amounts pursuant to Condition 13 (*Taxation*), PNCI will undertake that it will unconditionally and irrevocably (irrespective of the payment of any fee), as a continuing obligation, pay to or to the order of the Delegate (for the benefit of the Certificateholders) an amount equal to the liability of the Trustee in respect of any and all additional amounts required to be paid by the Trustee in respect of the Trust Certificates pursuant to Condition 13 (*Taxation*).

Purchase Agreement

The Purchase Agreement will be entered into on the Issue Date between the Trustee (in its capacity as purchaser), Sobha Capital LLC (in its capacity as seller) and PNCI (in its capacity as obligor) and will be governed by the laws of the Emirate of Dubai and, to the extent applicable to the Emirate of Dubai, the federal laws of the UAE.

Pursuant to the Purchase Agreement, Sobha Capital LLC (in its capacity as seller) may sell, transfer and convey to the Trustee (in its capacity as purchaser), and the Trustee may purchase and accept the transfer and conveyance from Sobha Capital LLC of, all of Sobha Capital LLC's rights, title, interests, benefits and entitlements in, to and under the Assets at the Purchase Price.

Lease Agreement

The Lease Agreement will be entered into on the Issue Date between the Trustee (in its capacity as lessor), PNCI (in its capacity as lessee) and the Delegate and will be governed by laws of the Emirate of Dubai and, to the extent applicable to the Emirate of Dubai, the federal laws of the UAE.

Pursuant to the Lease Agreement, the Trustee (in its capacity as lessor) will agree to lease to PNCI (in its capacity as lessee), and PNCI will agree to lease from the Trustee, the Lease Assets during renewable rental periods commencing on the lease commencement date (which shall be the Issue Date) and extending to the Scheduled Dissolution Date (unless the Lease Agreement is terminated earlier in accordance with its terms or extended in accordance with the Purchase Undertaking).

No later than 10:00 a.m. on the business day prior to the completion of each rental period, the Trustee (in its capacity as lessor) (or its agent), shall send a rental notice to PNCI (in its capacity as lessee). Such notice shall be irrevocable and PNCI (in its capacity as lessee) will agree that, unless it rejects such notice on such day when such rental notice is delivered (in which case it acknowledges that it will be in breach of its undertaking to irrevocably and unconditionally lease from the Trustee (in its capacity as lessor) for the lease term) it will be deemed to have accepted each such notice as and when delivered. Where there is any delay or failure by the Trustee (in its capacity as lessor) in delivering a rental notice, the rental for the relevant rental period shall accrue at the same rate as the rental for the immediately preceding rental period.

On each "**Additional Servicing Agency Expenses Request Date**" (being the date on which PNCI (in its capacity as servicing agent) submits to the Trustee (in its capacity as lessor) or its agent a request for the Trustee's (in its capacity as lessor) approval of PNCI (in its capacity as servicing agent) incurring or paying any proposed liability comprising an additional servicing agency expense), the Trustee (in its capacity as lessor) (or its agent) shall notify PNCI (in its capacity as lessee) in writing that it is requested to pay to the Trustee (in its capacity as lessor) on the first business day of the first rental period commencing after the Additional Servicing Agency Expenses Request Date an amount of additional supplementary rental in respect of that rental period (as shall also be specified in the relevant rental notice) equal to the relevant additional servicing agency expenses proposed to be incurred in the rental period in which such Additional Servicing Agency Expenses Request Date falls. Such notice shall be irrevocable and PNCI (in its capacity as lessee) will agree that, unless it rejects such notice on such Additional Servicing Agency Expenses Request Date (in which case it acknowledges that such rejection will constitute a PNCI Event), it will be deemed to have approved such notice as and when delivered and agreed to pay the requested amount of additional supplementary rental in accordance with such notice and the relevant rental notice.

PNCI (in its capacity as lessee) will agree to use the Lease Assets at its own risk. Accordingly, PNCI (in its capacity as lessee) shall from the date of the Lease Agreement bear the entire risk of loss of or damage to the Lease Assets or any part thereof arising from the usage or operation thereof by it to the extent that such loss or damage has resulted from its gross negligence, wilful default, actual fraud or breach of its obligations under the Lease Agreement. In addition, the Trustee (as lessor) shall not be liable (and PNCI (as lessee) will waive any claim or right, howsoever arising, to the contrary) for any indirect, consequential or other losses, howsoever arising, in connection with PNCI's (as lessee) use or operation of the Lease Assets.

If a Total Loss Event occurs with respect to the Lease Assets, then, without prejudice to any right or remedy the Trustee (in its capacity as lessor) may have under any Transaction Document or by law, the Lease Agreement and the lease shall automatically terminate, and further rental payments shall cease to be due under the Lease Agreement on the date of occurrence of the Total Loss Event, except that such termination will not occur where the Lease Assets have been replaced pursuant to the Servicing Agency Agreement (and provided the Lease Agreement has been amended in accordance therewith to reflect the Replacement Lease Assets (as defined below) by the 60th day following such Total Loss Event) and the Trustee (in its capacity as lessor) will be entitled to all proceeds of the Insurances (as defined below) payable as a result of the Total Loss Event.

If a Partial Loss Event shall occur with respect to any of the Lease Assets and provided that:

(a) the Lease Assets have not been replaced pursuant to the Servicing Agency Agreement, and a notice of termination of the lease on the 61st day after the Partial Loss Event Date (a "**Partial Loss Termination Notice**") has been delivered by PNCI (in its capacity as the lessee) to the Trustee (in its capacity as lessor) within a period of 30 days after the Partial Loss Event Date; or

(b) such Lease Assets have not been replaced pursuant to the Servicing Agency Agreement,

without prejudice to any right or remedy that the Trustee (in its capacity as lessor) may have under any Transaction Document or by law, the lease shall automatically terminate on the 61st day after the Partial Loss Event Date and further rental payments shall cease to be due under the Lease Agreement on such 61st day after the Partial Loss Event Date subject to PNCI's (in its capacity as lessee) right to make a rental reimbursement request in accordance with the provisions of the Lease Agreement and the Trustee (in its capacity as lessor) will be entitled to all proceeds of the Insurances payable as a result of the Partial Loss Event.

For the avoidance of doubt, if PNCI (in its capacity as lessee) does not issue a Partial Loss Termination Notice within 30 days of the Partial Loss Event Date, or it expressly waives such right, it shall not be entitled to exercise such right thereafter.

By no later than the 31st day after the Partial Loss Event Date, PNCI (in its capacity as lessee) may request a proportionate reduction in rental by way of reimbursement of the rental applicable to the period from and including the Partial Loss Event Date to but excluding the earlier of: (i) the relevant replacement date; and (ii) the 61st day after the Partial Loss Event Date to take into account the impairment suffered in relation to the impaired Lease Assets (the "**Rental Reimbursement Amount**"), provided that the Partial Loss Event relating to such impaired Lease Assets has not arisen as a result of PNCI's (in its capacity as lessee) negligence or misconduct (such request, being a "**Rental Reimbursement Request**"). If a Rental Reimbursement Request is made in accordance with the provisions of the Lease Agreement, the Trustee (in its capacity as lessor) shall procure the payment of the Rental Reimbursement Amount by the Servicing Agent (on its behalf) to PNCI (in its capacity as lessee) from only: (1) the proceeds of any Insurances paid in accordance with clause 5 of the Servicing Agency Agreement; and/or (2) (to the extent the proceeds of such Insurances (if any) are insufficient) any Loss Shortfall Amount (as defined below) paid in accordance with clause 5 of the Servicing Agency Agreement, on the 61st day after the Partial Loss Event Date. For the avoidance of doubt, if PNCI (in its capacity as lessee) does not make a Rental Reimbursement Request before the 31st day after the Partial Loss Event Date, or it expressly waives such right, it shall not be entitled to exercise such right thereafter.

For the avoidance of doubt if, following a Partial Loss Event, the lease is not terminated pursuant to the Lease Agreement and whether or not a Rental Reimbursement Request is made, then the terms of the lease and the Lease Agreement, including the amount of rental, shall continue on the same terms as which applied prior to the occurrence of the Partial Loss Event.

PNCI (in its capacity as lessee) will undertake in the Lease Agreement that it shall maintain actual or constructive possession, custody or control of all of the Lease Assets from the date of the Lease Agreement until the satisfaction in full of all its obligations under the Transaction Documents to which it is a party.

Under the Lease Agreement, PNCI (in its capacity as lessee) will agree to be responsible, at its own cost and expense, for the performance of all ordinary maintenance and repair required for any Lease Asset. The Trustee (in its capacity as lessor) shall be responsible for: (i) the performance of all major maintenance and structural repair; (ii) the payment of any proprietorship or other relevant taxes (excluding all taxes that are by law imposed, charged or levied against a lessee or a tenant); and (iii) insuring the Lease Assets in accordance with the Servicing Agency Agreement, and PNCI (as lessee) will acknowledge that the Trustee (as lessor) may procure that the Servicing Agent, in accordance with the terms and conditions set out in the Servicing Agency Agreement, shall perform, or shall procure the performance of, the major maintenance and structural repair, the payment of such taxes and the Insurance of the Lease Assets, on behalf of the Trustee (in its capacity as lessor).

All payments by PNCI (as lessee) to the Trustee (as lessor) under the Lease Agreement shall be made in U.S. dollars without set-off (except as provided below) or counterclaim of any kind and free and clear of, and without any deduction or withholding, for any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or within any Relevant Jurisdiction or any authority therein or thereof having power to tax, unless the withholding or deduction is required by law. In that event, PNCI (as lessee) will agree under the Lease Agreement to pay such additional amounts as will result in the receipt by or on behalf of the Trustee (as lessor) of such amounts as would have been received by it had no such deduction or withholding had been required.

PNCI (in its capacity as lessee) will ensure that its payment obligations under the Lease Agreement are and will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 5.1 (*Negative Pledge*)) unsecured obligations of PNCI and (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 5.1 (*Negative Pledge*)) at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of PNCI from time to time outstanding.

Servicing Agency Agreement

The Servicing Agency Agreement will be entered into on the Issue Date between the Trustee (in its capacity as lessor) and PNCI (in its capacity as servicing agent) and will be governed by English law.

Pursuant to the Servicing Agency Agreement, PNCI (as servicing agent) will be responsible on behalf of the Trustee (in its capacity as lessor) for the carrying out of all major maintenance and structural repair, the payment of proprietorship taxes (if any) charged, levied or claimed on the Lease Assets, for effecting all appropriate Insurances in respect of the Lease Assets, maintenance of a collection account (the "**Collection Account**") and the appointment of a *Shari'a* adviser (a "***Shari'a*** **Adviser**").

The Servicing Agent will irrevocably undertake with the Trustee (in its capacity as lessor) that the Servicing Agent, on behalf of the Trustee (in its capacity as lessor), will:

(a) ensure that the Lease Assets, so long as any Trust Certificates are outstanding, are at all times properly insured (the "**Insurances**") (through brokers and with reputable insurance companies in good financial standing) to the extent consistent with general industry practice by prudent owners of similar assets, and in addition against any Total Loss Event and/or Partial Loss Event (together, "**Loss Events**"). The Servicing Agent will undertake to ensure that the insured amount relating to each Loss Event will, at all times, be at least equal to the Full Reinstatement Value;

(b) promptly make a claim in respect of each loss relating to the Lease Assets in accordance with the terms of the Insurances and diligently pursue such claim;

(c) ensure that, in the event of a Loss Event occurring, unless such Lease Assets are replaced pursuant to the Servicing Agency Agreement, all proceeds of any Insurances against a Loss Event are in an amount equal to the Full Reinstatement Value and are credited (or equivalent) in U.S. dollars to the Collection Account by no later than the 60th day after the occurrence of the Loss Event and that the insurers are directed accordingly; and

(d) if within 60 days of the Issue Date and for any reason, the Servicing Agent is not in compliance with paragraph (a) above, it shall immediately deliver written notice to the Trustee and the Delegate of such non-compliance and the details thereof.

The delivery of the notice referred to in paragraph (d) to the Trustee and the Delegate in relation to non-compliance with paragraph (a) above shall constitute a PNCI Event.

If, a Loss Event has occurred and if:

(i) the notice referred to in paragraph (d) above has not been delivered by the Servicing Agent to the Trustee and the Delegate prior to the occurrence of such Loss Event;

(ii) the Lease Assets have not been replaced in accordance with the paragraph below; and

(iii) the amount (if any) credited (or equivalent) to the Collection Account pursuant to paragraph (c) above is less than the Full Reinstatement Value (the difference between the Full Reinstatement

Value and the amount credited (or equivalent) to the Collection Account being the "**Loss Shortfall Amount**"),

then the Servicing Agent will undertake to: (1) transfer the amounts (if any) credited to the Collection Account pursuant to paragraph (c) above; and (2) pay (in same day, freely transferable, cleared funds) the Loss Shortfall Amount directly, in each case, to the Transaction Account by no later than close of business in London on the 61st day after the occurrence of the Loss Event. Subject to transferring such amounts (if any) credited to the Collection Account pursuant to paragraph (c) above and paying such Loss Shortfall Amount in accordance with this paragraph, there will be no further claim against the Servicing Agent for failing to comply with its insurance obligations.

The Servicing Agency Agreement will provide that if, on the occurrence of a Loss Event (other than in respect of a Partial Loss Event where a Partial Loss Termination Notice has been delivered pursuant to the Lease Agreement), the Servicing Agent receives notice from PNCI that replacement eligible Assets (the "**Replacement Lease Assets**"): (x) that are free from all claims, encumbrances and any other rights of third parties, and (y) the aggregate value as at the date of replacement (the "**Replacement Date**") of which is not less than the aggregate value of the Replacement Lease Assets, are available on or before the 60th day after the occurrence of the Loss Event, the Servicing Agent shall notify the Trustee of the same. Immediately following such notice, the Trustee may subject to, and pursuant to a separate purchase agreement substantially in the form, *mutatis mutandis*, of the Supplemental Purchase Agreement purchase such Replacement Lease Assets from the relevant seller(s) by way of payment by the Servicing Agent on behalf of the Trustee of the proceeds of the Insurances (or the assignment of the rights to such proceeds) to or to the order of the relevant seller(s), in consideration for the sale, transfer and conveyance by the relevant seller(s) of the Replacement Lease Assets to the Trustee.

"**Full Reinstatement Value**" means an amount equal to the aggregate of: (a) in the case of a Total Loss Event: (i) the aggregate face amount of the Trust Certificates then outstanding plus all due but unpaid Periodic Distribution Amounts relating to such Trust Certificates; plus (ii) an amount equal to the Periodic Distribution Amounts relating to such Trust Certificates, which would have accrued (had a Total Loss Event not occurred) during the period beginning on the date on which the Total Loss Event occurs and ending on but excluding the 61st day after the occurrence of the Total Loss Event; plus (iii) without duplication or double counting, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents to which it is a party (including, but not limited to, an amount equal to any outstanding Additional Servicing Agency Expenses in respect of which the Lessee has agreed to make a corresponding payment of additional supplementary rental but such payment has not been made in accordance with the Lease Agreement); less (iv) if any, the aggregate amounts of Deferred Sale Price then outstanding; and (b) in the case of a Partial Loss Event: (i) the aggregate value of the impaired Lease Assets; plus (ii) an amount equal to any Rental Reimbursement Amount payable to the Lessee in accordance with the Lease Agreement.

The "**Service Charge Amount**" payable to PNCI (in its capacity as servicing agent) shall be an amount equal to, in respect of a rental period, the aggregate of all payments and liabilities made or incurred by the Servicing Agent during that rental period in respect of the services provided under the Servicing Agency Agreement in relation to the Lease Assets as notified by the Servicing Agent to the Trustee (in its capacity as lessor), except for any payments or liabilities which comprise Additional Servicing Agency Expenses.

The Servicing Agency Agreement provides that the Servicing Agent shall appoint, and maintain the appointment of, the *Shari'a* Adviser to advise on any matters requested by the Servicing Agent and also to assist the Servicing Agent in monitoring the compliance by the Servicing Agent with the requirements of AAOIFI *Shari'a* standards when acting in accordance with the terms of the Transaction Documents to which it is a party.

The Servicing Agency Agreement provides that the Servicing Agent shall ensure that the Tangible Asset Ratio shall at all times remain more than 50 per cent. and the Servicing Agent shall be permitted to take any steps as may be required to maintain such Tangible Asset Ratio and, if, at any time, the Tangible Asset Ratio, other than as a result of the occurrence of a Loss Event, falls:

(a) to 50 per cent. or less (but is 33 per cent. or more), the Servicing Agent shall take any and all steps (in consultation with the *Shari'a* Adviser) as may be required to ensure such Tangible Asset Ratio is restored to more than 50 per cent. within the time period determined by the *Shari'a* Adviser; and

(b) below 33 per cent. (such event being a "**Tangibility Event**") within 10 Business Days of the Servicing Agent becoming aware of the Tangibility Event occurring, the Servicing Agent shall send a Tangibility Event Trustee Notice notifying the Trustee and the Delegate of such occurrence and requesting the Trustee to promptly deliver a Tangibility Event Notice to the Certificateholders in accordance with Condition 18 (*Notices*) and clause 9.1.2 of the Servicing Agency Agreement.

The Servicing Agent shall not incur or pay any liability in any rental period in respect of the services to be performed in relation to the Lease Assets which, individually or in the aggregate, would exceed the "**All Expenses Reserve Amount**" (the amount by which such liability exceeds the All Expenses Reserve Amount, the "**Additional Servicing Agency Expenses**") unless: (a) a request for such incurrence or payment of Additional Servicing Agency Expenses has been made by the Servicing Agent to the Trustee (in its capacity as lessor) in accordance with the Servicing Agency Agreement; and (b) following such request (and subject to the Trustee's (in its capacity as lessor) approval of such incurrence or payment of Additional Servicing Agency Expenses), PNCI (in its capacity as lessee) has agreed to pay to the Trustee (in its capacity as lessor) an amount of additional supplementary rental equal to such Additional Servicing Agency Expenses on the first business day of the first rental period commencing immediately after the Additional Servicing Agency Expenses Request Date (as defined below) in accordance with the Lease Agreement. If, during any rental period, the Servicing Agent incurs or pays such liability without first satisfying the foregoing conditions in (a) and (b) above, then it shall be deemed to have unconditionally agreed to satisfy, donate and pay all such liabilities from its own account and the Trustee (in its capacity as lessor) shall have no responsibility whatsoever in connection with such liability.

The Servicing Agent shall submit to the Trustee (in its capacity as lessor) or its agent the invoice or receipt for (or other evidence of payment or incurrence of) each liability comprising the Service Charge Amount, as soon as practicable after the payment or incurrence thereof. The Servicing Agent shall submit to the Trustee (in its capacity as lessor) or its agent a request for the Trustee's (in its capacity as lessor) approval of the Servicing Agent incurring or paying any proposed liability comprising an Additional Servicing Agency Expense prior to incurring or paying such proposed liability (the date of such notice being the "**Additional Servicing Agency Expenses Request Date**").

Subject to the terms of the Lease Agreement:

(a) the Trustee (in its capacity as lessor) shall procure that an amount equal to the Service Charge Amount notified to it in accordance with the above paragraph is recorded in the Collection Account on the first business day of the first rental period commencing after the services invoice date; and

(b) the Trustee (in its capacity as lessor) shall procure the reimbursement of the Servicing Agent for each Additional Servicing Agency Expense approved by recording such amount in the Collection Account on the first business day of the first rental period after the Additional Servicing Agency Expenses Request Date or, if the lease is terminated prior to such date, on the date of termination of the lease.

An amount equal to an Additional Servicing Agency Expense shall not be reimbursed unless the Servicing Agent evidences the requirement for the payment or the incurrence of each liability comprising such Additional Servicing Agency Expense by delivering to the Trustee (in its capacity as lessor) quotations or other proper evidence of such requirement by no later than the Additional Servicing Agency Expenses Request Date.

PNCI (in its capacity as Servicing Agent) will ensure that its payment obligations under the Servicing Agency Agreement are and will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 5.1 (*Negative Pledge*)) unsecured obligations of PNCI and (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 5.1 (*Negative Pledge*)) at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of PNCI from time to time outstanding.

Purchase Undertaking

The Purchase Undertaking will be executed on the Issue Date by PNCI (in its capacity as obligor) as a deed in favour of the Trustee and the Delegate and will be governed by English law.

Provided that no Total Loss Event has occurred and is continuing (or if a Total Loss Event has occurred, the Lease Assets have been replaced pursuant to the Servicing Agency Agreement), PNCI (in its capacity as obligor) will irrevocably grant to the Trustee and the Delegate the right to require PNCI to purchase all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Lease Assets (or the applicable proportion thereof, as the case may be) upon the Trustee or the Delegate (on behalf of the Trustee) exercising its right thereunder and delivering an Exercise Notice to PNCI in accordance with the terms of the Purchase Undertaking, on the Scheduled Dissolution Date or, if earlier, on the Dissolution Event Redemption Date or the Change of Control Put Right Date or the Tangibility Event Put Right Date at the Exercise Price or the Change of Control Exercise Price or the Tangibility Event Certificateholder Put Right Exercise Price, as the case may be.

The "**Exercise Price**", "**Tangibility Event Certificateholder Put Right Exercise Price**" or the "**Change of Control Exercise Price**" (as the case may be) payable by PNCI (as obligor) shall be equal to:

(a) the aggregate face amount of the Trust Certificates then outstanding or the Trust Certificates to be redeemed on the Tangibility Event Put Right Date or the Change of Control Put Right Date, as the case may be; plus

(b) all due but unpaid Periodic Distribution Amounts (if any) relating to such Trust Certificates; plus

(c) without duplication or double counting, if all of the Trust Certificates are being redeemed in full, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents to which it is a party (including, but not limited to, if all Trust Certificates are being redeemed in full, an amount equal to any outstanding Additional Servicing Agency Expenses in respect of which PNCI (in its capacity as lessee) has agreed to make a corresponding payment of additional supplementary rental but such payment has not been made in accordance with the Lease Agreement) provided that, in the case of any amounts payable pursuant to Condition 6.2(a) (*Application of Proceeds from the Trust Assets*), PNCI has received a notification from the Delegate (in respect of the amounts payable to the Delegate pursuant to Condition 6.2(a) (*Application of Proceeds from the Trust Assets*)) and each Agent (in respect of the amounts payable to the relevant Agent pursuant to Condition 6.2(a) (*Application of Proceeds from the Trust Assets*)) of such amounts by not later than the third business day prior to the date on which the Exercise Notice is delivered; less

(d) the aggregate amounts of Deferred Sale Price (or the applicable proportion thereof, as the case may be) then outstanding; less

(e) in the case of the Exercise Price payable in the case of a Dissolution Event arising as a result of a Partial Loss Dissolution Event only, any proceeds of Insurance and/or Loss Shortfall Amount paid in respect of a Partial Loss Event in accordance with the terms of the Servicing Agency Agreement and standing to the credit of the Transaction Account less any: (i) amount of Rental Reimbursement Amount; or (ii) other reimbursement or refund of rental, in each case, paid or payable in accordance with the terms of the Lease Agreement.

PNCI (in its capacity as obligor) will undertake in the Purchase Undertaking that it shall irrevocably and unconditionally fully accept all or any ownership interest the Trustee may have in the Lease Assets, the Tangibility Event Certificateholder Put Right Lease Assets or the Change of Control Put Right Lease Assets. PNCI (in its capacity as obligor) will further undertake in the Purchase Undertaking that: (i) if, at the time of delivery of the exercise notice in accordance with the provisions of the Purchase Undertaking, PNC Investments LLC remains in actual or constructive possession, custody or control of all or any part of the Lease Assets, the Tangibility Event Certificateholder Put Right Lease Assets or the Change of Control Put Right Lease Assets, as the case may be; and (ii) if, following delivery of the exercise notice in accordance with the provision of the Purchase Undertaking, the Exercise Price, the Tangibility Event Certificateholder Put Right Exercise Price or the Change of Control Exercise Price, as the case may be, is not paid in accordance with the provisions of the Purchase Undertaking for any reason whatsoever, PNCI shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the Trust Certificates then outstanding or the Tangibility Event Certificateholder Put Right Trust Certificates or the Change of Control Put Right Trust Certificates, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price, the Tangibility Event Certificateholder Put Right Exercise Price or the Change of Control Exercise Price, as the case may be.

PNCI (in its capacity as obligor) will also agree in the Purchase Undertaking that all payments by it under the Purchase Undertaking will be made in U.S. dollars without set-off (except as provided below) or counterclaim of any kind and, free and clear of, any deduction or withholding for Taxes of whatever nature imposed, levied, collected, withheld or assessed by or within any Relevant Jurisdiction or any authority therein or thereof having power to tax, unless required by law. In that event, PNCI (as obligor) shall pay such additional amounts as will result in the receipt by the Trustee of such amounts as would have been received by it had no withholding or deduction had been required.

The amount equal to the outstanding Additional Servicing Agency Expenses to be paid by PNCI as part of the Exercise Price, the Tangibility Event Certificateholder Put Right Exercise Price or the Change of Control Exercise Price, as the case may be, payable pursuant to the Purchase Undertaking in respect of which the lessee has agreed to make a corresponding payment of additional supplementary rental but such payment has not been made in accordance with the Lease Agreement, and any Additional Servicing Agency Expenses to be paid by the Trustee (in its capacity as lessor) pursuant to the Servicing Agency Agreement, shall be set-off against one another and the obligation to pay that part of the Exercise Price, the Tangibility Event Certificateholder Put Right Exercise Price or the Change of Control Exercise Price, as the case may be pursuant to the exercise of the Purchase Undertaking, shall be discharged by such set-off.

PNCI (in its capacity as obligor) will ensure that its payment obligations under the Purchase Undertaking are and will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 5.1 (*Negative Pledge*)) unsecured obligations of PNCI and (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 5.1 (*Negative Pledge*)) at all times rank at least *pari passu*, with all other present and future unsecured and unsubordinated obligations of PNCI, from time to time outstanding.

PNCI will agree that a PNCI Event shall constitute a Dissolution Event for the purposes of the Conditions.

Sale and Substitution Undertaking

The Sale and Substitution Undertaking will be executed on the Issue Date by the Trustee as a deed in favour of PNCI and will be governed by English law.

Provided that no Total Loss Event has occurred and is continuing (or if a Total Loss Event has occurred, the Lease Assets have been replaced pursuant to the Servicing Agency Agreement), the Trustee will irrevocably grant to PNCI the right to require the Trustee to sell, transfer and convey all of its rights, title, interests, benefits and entitlements in, to and under the Lease Assets to PNCI upon PNCI exercising its right thereunder and delivering an Exercise Notice to the Trustee in accordance with the terms of the Sale and Substitution Undertaking, on the Tax Dissolution Date, the Optional Dissolution Date or Clean Up Call Right Dissolution Date (as the case may be) at the Exercise Price or (in the case of the Optional Dissolution Date) at the Optional Dissolution Exercise Price.

The amount equal to any outstanding Additional Servicing Agency Expenses to be paid by PNCI as part of any Exercise Price or Optional Dissolution Exercise Price (as applicable) in respect of which the Trustee has agreed to make a corresponding payment of additional supplementary rental but such payment has not been made in accordance with the Lease Agreement and any Additional Servicing Agency Expenses to be paid by the Trustee (in its capacity as lessor) pursuant to the Servicing Agency Agreement, shall be set off against one another, and the obligation to pay that part of the Exercise Price or Optional Dissolution Exercise Price (as the case may be) shall be discharged by such set-off.

In addition, under the terms of the Sale and Substitution Undertaking, if at any time PNCI wishes to cancel any Trust Certificates purchased pursuant to Condition 12.1 (*Purchases*), PNCI may, by exercising its right under the Sale and Substitution Undertaking and by delivering a Cancellation Notice to the Trustee in accordance with the terms of the Sale and Substitution Undertaking, oblige the Trustee to transfer all of its rights, title, interests, benefits and entitlements in, to and under the Cancelled Lease Assets to PNCI in consideration for which the Trust Certificates purchased shall be cancelled subject to certain conditions set out in the Sale and Substitution Undertaking. Following such transfer, the Trustee shall forthwith surrender to the Registrar the relevant Trust Certificates identified for cancellation in the Cancellation Notice on the Cancellation Date.

Furthermore, pursuant to the terms of the Sale and Substitution Undertaking, the Trustee will grant to PNCI the right to require the Trustee to sell all of its rights, title, interests, benefits and entitlements in, to and under the substituted Lease Assets to it in exchange for the sale to the Trustee of new Lease Assets subject to certain conditions set out in the Sale and Substitution Undertaking.

Murabaha Agreement

The Murabaha Agreement will be entered into on the Issue Date between PNCI (in its capacity as buyer, the "**Buyer**"), the Trustee (in its capacity as seller, the "**Seller**") and the Delegate and will be governed by English law.

Pursuant to the Murabaha Agreement, the Seller may, on receipt of a purchase order from the Buyer in accordance with the terms of the Murabaha Agreement, purchase certain commodities on the Issue Date. Following the purchase of the commodities by the Seller, and provided that the Seller has acquired title thereto and actual or constructive possession thereof, the Seller may deliver to the Buyer by no later than the Issue Date a letter of offer and acceptance indicating the Seller's acceptance of the terms of the purchase order made by the Buyer and detailing the terms of the offer for the sale of the commodities by the Seller to the Buyer on the Issue Date.

Pursuant to the Murabaha Agreement, the Buyer may accept the terms of, countersign and deliver to the Seller any letter of offer and acceptance delivered to it in accordance with the Murabaha Agreement and, if it countersigns the Letter of Offer and Acceptance, the Buyer shall irrevocably and unconditionally (as a result of the Seller having acted on the request of the Buyer set out in the purchase order) purchase from the Seller the commodities acquired by the Seller for the Deferred Sale Price in accordance with the terms of the Murabaha Agreement.

As soon as the Buyer has countersigned the letter of offer and acceptance, a murabaha contract shall be created between the Seller and the Buyer upon the terms of the letter of offer and acceptance and incorporating the terms and conditions set out in the Murabaha Agreement, and ownership of and title to and, upon actual or constructive possession, all risks in and to, the relevant commodities shall immediately pass to and be vested in the Buyer together with all rights and obligations relating thereto.

The Buyer will also agree in the Murabaha Agreement that all payments by it under the Murabaha Agreement will be made in U.S. dollars without set-off or counterclaim of any kind and, free and clear of, any deduction or withholding for Taxes of whatever nature imposed, levied, collected, withheld or assessed by or within any Relevant Jurisdiction or any authority therein or thereof having power to tax, unless required by law. In that event, the Buyer shall pay such additional amounts as will result in the receipt by or on behalf of the Trustee of such amounts as would have been received by it had no withholding or deduction had been made.

The Buyer will ensure that its payment obligations under the Murabaha Agreement are and will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 5.1 (*Negative Pledge*)) unsecured obligations of the Buyer and (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 5.1 (*Negative Pledge*)) at all times rank at least *pari passu*, with all other present and future unsecured and unsubordinated obligations of the Buyer, from time to time outstanding.

Shari'a Compliance

Each Transaction Document to which it is a party will provide that each of Sobha Sukuk Limited and PNC Investments LLC agrees that it has accepted the *Shari'a*-compliant nature of the Transaction Documents to which it is a party and, to the extent permitted by law, further agrees that:

(a) it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or any provision thereof) is *ultra vires* or not compliant with the principles of *Shari'a*;

(b) it shall not take any steps or bring any proceedings in any forum to challenge the *Shari'a* compliance of the Transaction Documents to which it is a party; and

(c) none of its obligations under the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents to which it is a party are not compliant with the principles of *Shari'a*.

TAXATION

The following is a general description of certain Cayman Islands and UAE tax considerations relating to the Trust Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Trust Certificates, whether in those jurisdictions or elsewhere. Prospective purchasers of Trust Certificates should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Trust Certificates and receiving payments under the Trust Certificates and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

Cayman Islands

The following is a discussion of certain Cayman Islands tax consequences of an investment in the Trust Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws, payments on Trust Certificates to be issued will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Trust Certificates, nor will gains derived from the disposal of the Trust Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The Trustee has received an undertaking from the Governor-in-Cabinet of the Cayman Islands dated 22 May 2023, pursuant to the Tax Concessions Act (As Revised) of the Cayman Islands, that for a period of 30 years from the date of grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Trust Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment as defined in the Tax Concessions Act (As Revised) of the Cayman Islands.

No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Trust Certificates. An instrument transferring title to any Trust Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is U.S.$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

United Arab Emirates

The following summary of the anticipated tax treatment in the UAE in relation to payments on the Trust Certificates is based on the taxation law and practice in force at the date of this Offering Circular and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Trust Certificates and the receipt of any payments with respect to such Trust Certificates under the laws of the jurisdictions in which they may be liable to taxation.

Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Dubai taxation in respect of payments on debt securities (including in relation to the Trust Certificates). In the event of the imposition of any withholding in the future, the Trustee has undertaken to gross-up any payments subject to certain limited exceptions, as described in Condition 13 (*Taxation*).

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since ceased to participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Trust Certificates (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Trust Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "**established**" in a participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Trust Certificates are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Trustee may be classified as a foreign financial institution for these purposes. A number of jurisdictions (including the UAE and the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**") with the United States to implement FATCA, which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Trust Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Trust Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Trust Certificates, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Trust Certificates issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Prospective holders of the Trust Certificates should consult their own tax advisers regarding how these rules may apply to their investment in the Trust Certificates.

SUBSCRIPTION AND SALE

Words and expressions defined in the Conditions shall have the same meanings in this section, "Subscription and Sale".

The Joint Lead Managers have entered into a subscription agreement with the Trustee and PNCI dated 13 July 2023 with respect to the Trust Certificates (the "**Subscription Agreement**"). The Trustee has agreed to issue and sell to the Joint Lead Managers U.S.$300,000,000 in aggregate face amount of the Trust Certificates and, subject to certain conditions, the Joint Lead Managers have agreed to subscribe for the Trust Certificates. In accordance with the terms of the Subscription Agreement, each of the Trustee and PNCI will reimburse the Joint Lead Managers in respect of certain of their expenses incurred in connection with the issue of the Trust Certificates and indemnify the Joint Lead Managers against certain liabilities incurred in connection with the issue of the Trust Certificates. The Subscription Agreement entitles the Joint Lead Managers to terminate the issue of the Trust Certificates in certain circumstances prior to payment of proceeds to the Trustee.

United States

The Trust Certificates have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit or, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Joint Lead Manager has represented and agreed that: (a) it has offered and sold, and will offer or sell, the Trust Certificates constituting part of its allotment: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of the Trust Certificates, only in accordance with Rule 903 of Regulation S; and (b) neither it nor any of its affiliates (nor any person acting on behalf of such Joint Lead Manager or any of its affiliates) has engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Trust Certificates.

Each Joint Lead Manager has agreed that, at or prior to confirmation of sale, it will have sent to each distributor, manager or person receiving a selling concession, fee or other remuneration which purchases Trust Certificates from it during the 40-day distribution compliance period a confirmation or notice in substantially the following form:

"The securities covered hereby have not been registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons: (a) as part of their distribution at any time; or (b) otherwise until 40 days after the completion of the distribution of the Trust Certificates, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

Terms used in the above paragraphs have the meanings given to them by Regulation S.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**")) received by it in connection with the issue or sale of any Trust Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or PNCI; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Trust Certificates in, from or otherwise involving the UK.

Kingdom of Bahrain

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Trust Certificates except on a private placement basis, to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more (excluding that person's principal place of residence);

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

Sultanate of Oman

Each Joint Lead Manager has represented and agreed that:

(a) this Offering Circular has not been filed with or registered as a prospectus by it with the Capital Market Authority of Oman pursuant to Article 3 of the Capital Market Authority Law (Sultani Decree 80/98, as amended) ("**Article 3**"), will not be offered or sold by it as an offer of securities in the Sultanate of Oman as contemplated by the Commercial Companies Law of Oman (Sultani Decree 18/19, as amended) or Article 3, nor does it constitute a sukuk offering pursuant to the Sukuk Regulation issued by the Capital Market Authority of Oman (CMA Decision 3/2016); and

(b) the Trust Certificates have not been and will not be offered, sold or delivered by it and no invitation to subscribe for or to purchase the Trust Certificates has been or will be made by it, directly or indirectly, nor may any document or other material in connection therewith be distributed in the Sultanate of Oman to any person in the Sultanate of Oman other than by an entity duly licensed by the Capital Market Authority of Oman to market non-Omani securities in the Sultanate of Oman and then only in accordance with all applicable laws and regulations, including Article 139 of the Executive Regulations of the Capital Markets Law (Decision No. 1/2009, as amended).

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Trust Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Trust Certificates pursuant to an offering should note that the offer of Trust Certificates is a private placement under Article 8 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority (the "**CMA**") resolution number 3-123-2017 dated 27 December 2017, as amended by CMA resolution number 8-5-2023 dated 18 January 2023 (the "**KSA Regulations**"), made through a capital market institution licensed to carry out arranging activities by the CMA and following a notification to the CMA under Article 10 of the KSA Regulations.

The Trust Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "institutional and qualified clients" under Article 8(a)(1) of the KSA Regulations or by way of a limited offer under Article 9 of the KSA Regulations. Each Joint Lead Manager has represented and agreed that any offer of Trust Certificates made by it to a Saudi Investor will be made in compliance with Article 10 and either Article 8(a)(1) or Article 9 of the KSA Regulations.

Each offer of Trust Certificates shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 14 of the KSA Regulations.

State of Qatar (including the Qatar Financial Centre)

Each Joint Lead Manager has represented and agreed that it has not offered, delivered or sold, and will not offer, sell or deliver at any time, directly or indirectly, any Trust Certificates in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar (including the Qatar Financial Centre).

This Offering Circular: (i) has not been, and will not be, registered with or approved by the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre

Regulatory Authority and may not be publicly distributed in the State of Qatar (including the Qatar Financial Centre); (ii) is intended for the original recipient only and must not be provided to any other person; and (iii) is not for general circulation in the State of Qatar (including the Qatar Financial Centre) and may not be reproduced or used for any other purpose.

Cayman Islands

Each Joint Lead Manager has represented and agreed that no offer or invitation, whether directly or indirectly, to subscribe for any Trust Certificates has been or will be made by it to any member of the public of the Cayman Islands.

UAE (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market)

Each Joint Lead Manager has represented and agreed that the Trust Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering or sale of securities.

Dubai International Financial Centre

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Trust Certificates to any person in the DIFC unless such offer is:

(a) an "**Exempt Offer**" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority ("**DFSA**") rulebook; and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

Abu Dhabi Global Market

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Trust Certificates to any person in the ADGM unless such offer is:

(a) an "Exempt Offer" in accordance with Rule 4.3 of the Markets Rules of the Financial Services Regulatory Authority (the "**FSRA**") rulebook; and

(b) made only to persons who meet the Professional Client criteria set out in the Conduct of Business Module of the FSRA rulebook.

State of Kuwait

Each Joint Lead Manager has represented and agreed that the Trust Certificates to be issued have not been and will not be offered, sold, promoted or advertised by it in the State of Kuwait except through a licensed person duly authorised to undertake such activity pursuant to Law No. 7 of 2010 Concerning the Establishment of the Capital Markets Authority and Regulating of Securities Activities and its executive bylaws (each as amended) (the "**CML Rules**") and unless all necessary approvals from the Capital Markets Authority of the State of Kuwait pursuant to the CML Rules, together with the various resolutions, regulations, directives and instructions issued pursuant thereto or in connection therewith (regardless of nomenclature or type), or any other applicable law or regulation in the State of Kuwait, have been given in respect of the offering, sale, promotion and/or advertising of the Trust Certificates.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Trust Certificates other than: (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Trust Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Trust Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Joint Lead has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Trust Certificates or caused such Trust Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell any Trust Certificates or cause the Trust Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Trust Certificates, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Trust Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Trust Certificates pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Malaysia

Each Joint Lead Manager has represented and agreed that:

(a) this Offering Circular has not been registered as a prospectus with the Securities Commission of Malaysia (the "**SC**") under the Capital Markets and Services Act 2007 of Malaysia (the "**CSMA**"); and

(b) accordingly, the Trust Certificates have not been and will not be offered or sold by it, and no invitation to subscribe for or purchase the Trust Certificates has been or will be made by it, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Part 1 of Schedule 6 (or Section 229(1)(b)) and Part 1 of Schedule 7 (or Section 230(1)(b)) and

Schedule 8 or Section 257(3), read together with Schedule 9 (or Section 257(3)) of the CSMA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the SC and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals, including approval from the Controller of Foreign Exchange to purchase the Trust Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Joint Lead Managers shall be responsible for any invitation, offer, sale or purchase of Trust Certificates as aforesaid without the necessary approvals being in place.

General

Each Joint Lead Manager has represented and agreed that it will, to the best of its knowledge and belief, comply with all applicable securities laws, regulations and directives in force in any jurisdiction in which it purchases, offers, sells or delivers Trust Certificates or possesses or distributes this Offering Circular or any other offering material and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Trust Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Trustee, PNCI or any other Joint Lead Manager shall have any responsibility therefor.

None of the Trustee, PNCI or any of the Joint Lead Managers: (i) makes any representation that any action has been or will be taken in any jurisdiction that would permit a public offering of any Trust Certificates, or possession or distribution of this Offering Circular or any other offering material in any country or jurisdiction where action for that purpose is required; or (ii) represents that Trust Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

GENERAL INFORMATION

Authorisation

The issue of the Trust Certificates and the entry by the Trustee into the Transaction Documents to which it is a party has been duly authorised by a resolution passed at a meeting of the Board of Directors of the Trustee held on 21 June 2023. The entry by PNCI into the Transaction Documents to which it is a party has been duly authorised by a resolution of the shareholders of PNCI passed at an extraordinary general meeting held on 13 June 2023.

The Trustee and PNCI have each obtained all necessary consents, approvals and authorisations in connection with the issue of the Trust Certificates and the execution and performance of the Transaction Documents to which they are a party.

Listing of Trust Certificates

Application has been made to the London Stock Exchange for the Trust Certificates to be admitted to the ISM with effect from on or around the Issue Date. The ISM is not a regulated market for the purposes of UK MiFIR.

The ISM is a market designated for professional investors. The Trust Certificates admitted to trading on the ISM are not admitted to the Official List of the FCA. The London Stock Exchange has not approved or verified the contents of this Offering Circular.

Application has also been made to Nasdaq Dubai for the Trust Certificates to be admitted to trading on Nasdaq Dubai and to the DFSA for the Trust Certificates to be admitted to the DFSA Official List.

The total expenses related to the admission of the Trust Certificates to trading on the ISM are estimated to be GBP 7,550.

The total expenses related to the admission of the Trust Certificates to trading on Nasdaq Dubai and the admission of the Trust Certificates to the DFSA Official List are estimated to be U.S.$21,000.

Auditors

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee has no subsidiaries. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

The current auditors of PNCI are Grant Thornton Audit and Accounting Limited (Dubai Branch) (authorised and regulated under the Register of Practicing Accountants at the UAE Ministry of Economy and Planning as required by UAE Federal Law No. 22 of 1995).

The unaudited interim condensed consolidated financial statements as at and for the three months ended 31 March 2023 have been reviewed, without qualification, in accordance with International Standard on Review Engagements 2410 (ISRE) "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" by Grant Thornton, as stated in their review report set out herein. For the avoidance of doubt, the comparative financial information as at and for the three months ended 31 March 2022 included in the Interim Financial Statements has not been audited or reviewed by Grant Thornton or any other external independent auditor and has been derived from the Group's internal management accounts. The Audited Financial Statements have been audited in accordance with International Standards on Auditing by Grant Thornton, who have issued unqualified reports on the Audited Financial Statements, as stated in their audit reports set out herein.

No Significant Change

There has been no significant change in the financial performance or financial position of the Trustee and no material adverse change in the prospects of the Trustee, in each case, since the date of its incorporation.

There has been no significant change in the financial performance or financial position of PNCI and its subsidiaries, taken as a whole, since 31 March 2023, and there has been no material adverse change in the prospects of PNCI and its subsidiaries, taken as a whole, since 31 December 2022.

Litigation

The Trustee is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee is aware) since the date of its incorporation which may have or have in such period had a significant effect on the financial position or profitability of the Trustee.

PNCI is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which PNCI is aware) in the 12 months preceding the date of this Offering Circular which may have or have in such period had a significant effect on the financial position or profitability of PNCI.

Documents Available

For so long as any Trust Certificates remain outstanding, copies (and English translations where the documents in question are not in English) of the following documents will be available during normal business hours on any day (excluding Saturdays, Sundays and public holidays), for inspection and/or collection from the registered office of the Trustee and from the specified office of the Principal Paying Agent:

(a) the Transaction Documents;

(b) the Memorandum and Articles of Association of the Trustee;

(c) the constitutional documents of PNCI; and

(d) this Offering Circular.

Clearing Systems

The Trust Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

The ISIN for the Trust Certificates is XS2633136234. The Common Code for the Trust Certificates is 263313623. See as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN for the Financial Instrument Short Name (FISN) and/or Classification of Financial Instruments (CFI) code applicable to the Trust Certificates.

Legal Entity Identifier

The Trustee's Legal Entity Identifier ("**LEI**") code is 5493000HMN2AOHV8GU08.

Joint Lead Managers Transacting with PNCI

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in various financial advisory, investment banking and/or commercial banking transactions with, and may perform services for PNCI in the ordinary course of business for which they have received, and for which they may in the future receive, fees and expenses. In particular, certain of the Joint Lead Managers are lenders/financiers to PNCI and proceeds from the issue of the Trust Certificates may be used to pay such outstanding facilities. Further, the Joint Lead Managers may purchase and sell Trust Certificates in the open market.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank facilities) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of PNCI. In the case of any Joint Lead Managers which are Islamic financial institutions, such investments, securities and financial instruments will need to comply with the principles of *Shari'a*.

Certain of the Joint Lead Managers or their affiliates that have a lending/financing relationship with PNCI routinely hedge their credit exposure to PNCI consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into hedging transactions which may consist of taking certain positions in securities, including potentially the Trust Certificates. In the case of any Joint Lead Managers which are Islamic financial institutions, such hedging transactions, and the associated securities and financial instruments, will need to comply with the principles of *Shari'a*. Any such exposures could adversely affect future trading prices of the Trust Certificates. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, positions in such securities and instruments.

Cayman Islands Data Protection

Under the Cayman Islands Data Protection Act (as amended) and, in respect of EU data subjects, the EU General Data Protection Regulation (together, the "**Data Protection Legislation**"), individual data subjects have rights and the Trustee as data controller has obligations with respect to the processing of personal data by the Trustee and its affiliates and delegates. Breach of the Data Protection Legislation by the Trustee could lead to enforcement action.

The Trustee has published a privacy notice (the "**Data Privacy Notice**"), which provides prospective investors with information on the Trustee's use of their personal data in accordance with the Data Protection Legislation. The Data Privacy Notice can be accessed at:

https://www.walkersglobal.com/external/SPVDPNotice.pdf.

INDEX TO THE FINANCIAL STATEMENTS

P N C Investments L.L.C

Condensed Interim Consolidated Financial Information (Un-audited)

For the period ended March 31, 2023

P N C Investments L.L.C
Condensed Interim Consolidated Financial Information
For the period ended March 31, 2023

Table of contents

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 reviewed condensed interim consolidated financial information for the three-month period ended March 31, 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 reviewed condensed interim consolidated financial information.

The Group reported a net profit of AED 336 million for the three-month period ended March 31, 2023 (March 31, 2022 period ended: AED 167 million).

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 ended December 31, 2022 and to review the condensed interim consolidated financial information for the three-month period ended March 31, 2023. The Manager resolved to release Grant Thornton from any liabilities arising from the review of the condensed interim consolidated financial information for the three-month period ended March 31, 2023. Grant Thornton being eligible have offered themselves for re-appointment for the year ending December 31, 2023.

The condensed interim consolidated financial information for the three-month period ended March 31, 2023 (including comparatives) were approved on June 13, 2023 by:

AnujJain

Mr. Anuj Jain
Manager

Dubai, United Arab Emirates

Grant Thornton

Grant Thornton Audit and Accounting Limited (Dubai Branch)

The Offices 5
Level 3
Office 302, 303
One Central, DWTC
Dubai, UAE

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

Introduction

We have reviewed the accompanying 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 March 31, 2023 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and fair presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34 ("IAS 34") *"Interim Financial Reporting"*. Our responsibility is to express a conclusion on this condensed interim 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 condensed interim consolidated financial information does not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the three-month period then ended in accordance with IAS 34.

Other Matter

The condensed interim consolidated financial information for the three-month period ended March 31, 2022 are neither audited nor reviewed by an independent auditor.

Grant Thornton

Grant Thornton
P.O. Box: 1620
DUBAI-U.A.E.
Public Accountants

GRANT THORNTON
Farouk Mohamed
Registration No. 86
Dubai, June 13, 2023

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

Condensed consolidated statement of financial position
As at March 31, 2023

	Notes	(Un-audited) March 31, 2023 AED '000	(Audited) December 31, 2022 AED '000
ASSETS			
Non-current			
Property and equipment	4	53,529	57,225
Intangible assets	5	1,412	1,057
Investment properties	6	1,193,201	1,303,186
Properties under development	7	54,532	66,677
Financial asset	8	887,117	1,211,049
		2,189,791	2,639,194
Current			
Properties under development	7	1,250,742	1,454,058
Trade and other receivables	9	5,539,362	5,286,478
Other financial assets	10	66,004	43,974
Cash and cash equivalents	11	1,015,899	679,155
		7,872,007	7,463,665
TOTAL ASSETS		10,061,798	10,102,859
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	300	300
Statutory reserve	14	150	150
Fair value reserve	17	375,716	699,648
Retained earnings		5,597,966	5,261,213
Shareholders' account	15	999,619	999,619
		6,973,751	6,960,930
Non-controlling interest	16	374,592	374,946
TOTAL EQUITY		7,348,343	7,335,876
LIABILITIES			
Non-current			
Employees' end of service benefits	18	14,978	12,776
Borrowings	19	1,529,637	1,578,978
		1,544,615	1,591,754
Current			
Borrowings	19	281,056	298,512
Finance lease liabilities	20	33	46
Trade and other payables	21	599,599	597,136
Due to related parties	12	288,152	279,535
		1,168,840	1,175,229
TOTAL LIABILITIES		2,713,455	2,766,983
TOTAL EQUITY AND LIABILITIES		10,061,798	10,102,859

This condensed interim consolidated financial information for the period ended March 31, 2023 (including comparatives) were approved on June 13, 2023 by:

AnujJain

Mr. Anuj Jain
Manager

The accompanying notes from 1 to 30 form an integral part of this condensed interim consolidated financial information.

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

Condensed consolidated statement of comprehensive income
For the period ended March 31, 2023

	Notes	Three-month period ended March 31, 2023 AED '000 (Unaudited)	Three-month period ended March 31, 2022 AED '000 (Unaudited)
Revenue	22	**1,609,045**	979,780
Direct costs	23	**(976,654)**	(615,058)
GROSS PROFIT		**632,391**	364,722
Administrative and general expenses	24	**(121,464)**	(65,318)
Depreciation and amortization	4,5	**(4,427)**	(3,740)
Selling and marketing expenses	25	**(172,565)**	(110,586)
Finance costs – net	26	**(4,985)**	(18,723)
Other income		**7,449**	924
NET PROFIT FOR THE PERIOD		**336,399**	167,279
Other comprehensive income			
Fair value loss on financial asset	8	**(332,514)**	(418,469)
Foreign exchange gain/(loss) on financial asset	8	**8,582**	(37,516)
		(323,932)	(455,985)
TOTAL COMPREHENSIVE INCOME /(LOSS) FOR THE PERIOD		**12,467**	(288,706)
Net profit for the period attributable to:			
Owners of the Company		**336,753**	168,181
Non-controlling interest		**(354)**	(902)
		336,399	167,279
Total comprehensive income /(loss) attributable to:			
Owners of the Company		**12,821**	(287,804)
Non-controlling interest		**(354)**	(902)
		12,467	(288,706)

The accompanying notes from 1 to 30 form an integral part of this condensed interim consolidated financial information.

Condensed consolidated statement of changes in equity
For the period ended March 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 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 (unaudited)	-	-	-	168,181	-	168,181	(902)	167,279
Other comprehensive loss (unaudited)	-	-	(455,985)	-	-	(455,985)	-	(455,985)
Balance at March 31, 2022 (unaudited)	300	150	1,066,497	3,945,908	999,187	6,012,042	722,781	6,734,823
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)	-	-	-	336,753	-	336,753	(354)	336,399
Other comprehensive loss (unaudited)	-	-	(323,932)	-	-	(323,932)	-	(323,932)
Balance at March 31, 2023 (unaudited)	**300**	**150**	**375,716**	**5,597,966**	**999,619**	**6,973,751**	**374,592**	**7,348,343**

The accompanying notes from 1 to 30 form an integral part of this condensed interim consolidated financial information.

Condensed consolidated statement of cash flows
For the period ended March 31, 2023

	Notes	(Un-audited) Three-month period ended March 31, 2023 AED '000	(Un-audited) Three-month period ended March 31, 2022 AED '000
OPERATING ACTIVITIES			
Net profit for the period		**336,399**	167,279
Non-cash and non-operating adjustments	28	**12,765**	24,818
Operating cash flows before net changes in working capital		**349,164**	192,097
Net changes in working capital	28	**311,248**	71,655
Employees' end of service benefits paid		**(1,002)**	(1,025)
Net cash from operating activities		**659,410**	262,727
INVESTING ACTIVITIES			
Purchase of property and equipment		**(795)**	(2,176)
Purchase of intangible assets		**(440)**	-
Purchase of investment properties		**(237,187)**	-
Net cash used in investing activities		**(238,422)**	(2,176)
FINANCING ACTIVITIES			
Proceeds from borrowings	19	**240,182**	-
Repayment of finance lease liabilities		**(18)**	(405)
Loan processing fees paid	26	**(1,657)**	(2,527)
Repayment of borrowings	19	**(322,751)**	(143,801)
Net cash used in financing activities		**(84,244)**	(146,733)
Net change in cash and cash equivalents		**336,744**	113,818
Cash and cash equivalents, beginning of period		**679,155**	237,037
Cash and cash equivalents, end of period		**1,015,899**	350,855

The accompanying notes from 1 to 30 form an integral part of this condensed interim consolidated financial information.

Notes to the condensed interim consolidated financial information (Un-audited)
For the period ended March 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 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 will be subject to taxation commencing January 1, 2024. As certain other cabinet decisions are pending as on the date of this condensed interim consolidated financial information, the Group will continue to assess the impact of these pending cabinet decisions on deferred taxes as and when finalized and published.

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

			Ownership interest	
Name of subsidiaries	**Country of incorporation and operation**	**Principal activity**	**(Un-audited) March 31, 2023**	(Audited) December 31, 2022
Subsidiaries of the Company				
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%

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 16 for the increase in investment in SLCL made during the prior year.

This condensed interim 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.

2 Basis of preparation

This condensed interim consolidated financial information is for the three-month period ended March 31, 2023, and are presented in United Arab Emirates Dirham (AED), which is the functional currency of the Company.

This condensed interim 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 three-month period ended March 31, 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 condensed interim 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 condensed interim 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 condensed interim 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 condensed interim 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 condensed interim consolidated financial information.

**Notes to the condensed interim consolidated financial information (Un-audited) (continued)
For the period ended March 31, 2023**

4 Property and equipment

	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
2023							
Cost							
Balance at January 1, 2023 (audited)	74,646	10,259	1,729	8,778	11,257	2,274	108,943
Additions (unaudited)	-	547	235	13	-	-	795
Written-off during the period (unaudited)	-	-	-	(1,800)	-	-	(1,800)
Balance at March 31, 2023 (unaudited)	74,646	10,806	1,964	6,991	11,257	2,274	107,938
Accumulated depreciation							
Balance at January 1, 2023 (audited)	25,507	7,178	1,561	7,894	9,578	-	51,718
Charge for the period (unaudited)	3,680	374	65	223	-	-	4,342
Written-off during the period (unaudited)	-	-	-	(1,651)	-	-	(1,651)
Balance at March 31, 2023 (unaudited)	29,187	7,552	1,626	6,466	9,578	-	54,409
Carrying amounts at March 31, 2023 (unaudited)	**45,459**	**3,254**	**338**	**525**	**1,679**	**2,274**	**53,529**

Notes to the condensed interim consolidated financial information (Un-audited) (continued)
For the period ended March 31, 2023

4 Property and equipment (continued)

	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
2022							
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 30,894 (2022: AED 65,191) were mortgaged to the bank against finance lease liabilities.

5 Intangible assets

Computer software	(Un-audited) March 31, 2023 AED '000	(Audited) December 31, 2022 AED '000
Cost		
Opening balance	**5,447**	5,199
Additions	**440**	248
Closing balance	**5,887**	5,447
Accumulated amortization		
Opening balance	**4,390**	3,738
Charge for the period/year	**85**	652
Closing balance	**4,475**	4,390
	1,412	1,057

6 Investment properties

	(Un-audited) March 31, 2023 AED '000	(Audited) December 31, 2022 AED '000
Opening balance	**1,303,186**	2,712,198
Fair value gain	**-**	77,859
Additions (c)	**187,188**	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)	**(297,173)**	(1,996,794)
	1,193,201	1,303,186

Particulars	Location	(Un-audited) March 31, 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	**1,010,000**	1,160,000
Land	Plot No 1238 (643-8092), Wadi Al Safa Two, Dubai (a)	**158,354**	118,339
		1,193,201	1,303,186

There has been no significant change in the fair value of the investment properties from the prior year's reporting date.

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

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, the Group transferred investments property amounting to AED 150,000,000 to properties under development, for the purpose of developing real estate projects on the said properties;
- 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.

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 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. As of the reporting date, the Company has AED 119,712,000 (2022: AED 169,712,000), payable in relation to the purchase of this property (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

	(Un-audited) March 31, 2023 AED '000	(Audited) December 31, 2022 AED '000
Properties under development	**1,305,274**	1,520,735

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

	(Un-audited) March 31, 2023 AED '000	(Audited) December 31, 2022 AED '000
Opening balance	**1,520,735**	1,539,204
Transferred from investment properties (note 6)	**297,173**	1,996,794
Additions during the period	**462,256**	1,564,580
Transferred to investment properties (note 6)	**-**	(187,702)
Transferred to direct costs – net	**(974,890)**	(3,392,141)
Closing balance	**1,305,274**	1,520,735
Less: Non-current portion	**(54,532)**	(66,677)
Current portion	**1,250,742**	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, 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 12.4 million (2022: AED 96.2 million).

8 Financial asset

	(Un-audited) March 31, 2023 AED '000	(Audited) December 31, 2022 AED '000
Equity instruments at FVOCI (quoted equity securities)	**887,117**	1,211,049

Movement in the financial asset is as follows:

	(Un-audited) March 31, 2023 AED '000	(Audited) December 31, 2022 AED '000
Opening balance	**1,211,049**	2,033,883
Change in fair value	**(332,514)**	(620,765)
Foreign exchange gain/(loss)	**8,582**	(202,069)
Closing balance	**887,117**	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 0.89 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.

9 Trade and other receivables

	(Un-audited) March 31, 2023 AED '000	(Audited) December 31, 2022 AED '000
Financial assets		
Trade receivables	**5,051,990**	4,960,512
Deposits	**30,245**	20,448
	5,082,235	4,980,960
Non-financial assets		
Prepayments	**16,949**	13,577
Advance to suppliers	**89,491**	62,358
Advances**	**30,906**	4,828
VAT receivable	**33,996**	33,903
Deferred expenses*	**284,359**	188,359
Staff advances	**1,426**	2,493
	457,127	305,518
	5,539,362	5,286,478

9 Trade and other receivables (continued)

*Deferred expenses represent commission paid to third party brokers.

**Advances of AED 30,905,842 (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

	(Un-audited) March 31, 2023	(Audited) December 31, 2022
	AED '000	AED '000
Deposits	**66,004**	43,974

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

11 Cash and cash equivalents

	(Un-audited) March 31, 2023	(Audited) December 31, 2022
	AED '000	AED '000
Cash on hand	**30,668**	19,741
Cash at banks		
- in escrow account*	**485,319**	518,569
- in current account	**499,912**	140,845
	985,231	659,414
Cash and cash equivalents	**1,015,899**	679,155

*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).

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.

12 Related parties (continued)

	(Un-audited) March 31, 2023 AED' 000	(Audited) December 31, 2022 AED' 000
Due to related parties		
Associated undertakings		
Sobha Constructions LLC	**269,850**	257,598
PNC Architects	**18,302**	21,927
Other related parties	**-**	10
	288,152	279,535

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:

	(Un-audited) Three-month period ended March 31, 2023 AED '000	(Un-audited) Three-month period ended March 31, 2022 AED '000
Salaries and benefits	**27,960**	8,830

Transactions with related parties

Significant transactions carried out with related parties are as follows:

	(Un-audited) Three-month period ended March 31, 2023 AED '000	(Un-audited) Three-month period ended March 31, 2022 AED '000
Construction and development expenses for properties under development	**422,303**	181,749
Project design and supervision fee charged by a related party	**5,405**	6,907
Administration and management fee (note 24)	**4,832**	2,436

Notes to the condensed interim consolidated financial information (Un-audited) (continued)
For the period ended March 31, 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.

	(Un-audited) March 31, 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:

	(Un-audited) March 31, 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

*During the current period, 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

	(Un-audited) March 31, 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 the 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 Ragahvan Nair.

16 Non-controlling interest (NCI)

	(Un-audited) March 31, 2023 AED '000	(Audited) December 31, 2022 AED '000
Sobha Lifestyle City Limited (a)	**374,592**	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.

16 Non-controlling interest (NCI) (continued)

The movement in NCI is as follows:

	Sobha Lifestyle City Limited
2023	AED '000
Balance at January 1, 2023 (audited)	**374,946**
Share of loss for the period	**(354)**
Balance at March 31, 2023 (unaudited)	**374,592**
2022	
Balance at January 1, 2022 (audited)	723,683
Increase of investment in subsidiary	(348,267)
Share of loss for the year	(470)
Balance at December 31, 2022 (audited)	374,946

16.1 Subsidiary with material non-controlling interests

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

Name	Proportion of ownership interests held by the NCI (Un-audited) March 31, 2023	Proportion of ownership interests held by the NCI (Audited) December 31, 2022	Loss allocated to NCI (Un-audited) March 31, 2023	Loss allocated to NCI (Audited) December 31, 2022	Principal activity and principal place of business
			AED '000	AED '000	
Sobha Lifestyle City Limited	**21.96%**	21.96%	**354**	470	Investment in land and properties approved by JAFZA or any other free hold property in the United Arab Emirates

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:

	Sobha Lifestyle City Limited	
	(Un-audited) March 31, 2023 AED '000	(Audited) December 31, 2022 AED '000
Non-current	-	-
Current assets	**2,072,039**	2,077,812
Total assets	**2,072,039**	2,077,812
Non-current	-	-
Current liabilities	**366,120**	370,278
Total liabilities	**366,120**	370,278
Equity attributable to owners of the Company	**1,331,327**	1,332,588
Non-controlling interests	**374,592**	374,946

16 Non-controlling interest (NCI) (continued)

16.1 Subsidiary with material non-controlling interests (continued)

	Sobha Lifestyle City Limited	
	(Un-audited) March 31, 2023	(Un-audited) March 31, 2022
	AED '000	AED '000
Revenue	-	-
Loss for the period attributable to owners of the Company	(1,261)	(1,228)
Loss for the period attributable to NCI	(354)	(902)
Net loss for the period	(1,615)	(2,130)
Net cash used in operating activities	-	-
Net cash from investing activities	-	-
Net cash from in financing activities	-	-
Net cash outflow	-	-

Notes to the condensed interim consolidated financial information (Un-audited) (continued)
For the period ended March 31, 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:

	(Un-audited) March 31, 2023 AED '000	(Audited) December 31, 2022 AED '000
Opening balance	**699,648**	1,522,482
Fair value change on financial assets (note 8)	**(332,514)**	(620,765)
Foreign exchange gain/(loss) on financial assets (note 8)	**8,582**	(202,069)
Closing balance	**375,716**	699,648

18 Employees' end of service benefits

	(Un-audited) March 31, 2023 AED '000	(Audited) December 31, 2022 AED '000
Opening balance	**12,776**	10,331
Charge for the period/year	**3,204**	4,198
Payments made during the period/year	**(1,002)**	(1,753)
Closing balance	**14,978**	12,776

19 Borrowings

	(Un-audited) March 31, 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	**158,249**	**1,482,424**	**1,640,673**	177,474	1,489,674	1,667,148
Foreign currency loan	**122,807**	**47,213**	**170,020**	121,038	89,304	210,342
	281,056	**1,529,637**	**1,810,693**	298,512	1,578,978	1,877,490

The movement in borrowings is as follows:

	(Un-audited) March 31, 2023 AED '000	(Audited) December 31, 2022 AED '000
Opening balance	**1,877,490**	2,455,790
Additions during the period/year	**240,182**	105,000
Interest expense on borrowings (note 26)	**15,772**	130,863
Repayments during the period/year	**(322,751)**	(814,163)
Closing balance	**1,810,693**	1,877,490

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 from a financial institution amounting to AED 256 million (USD 69.8 million) of which SLLC received AED 97 million during the current period. The facility is for period of 2 years and 4 months under a bullet repayment structure.

During the year 2021, SLLC availed a term loan facility 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 143 million from the financial institution and the total outstanding loan as of March 31, 2023, in relation to this term loan facility amounted to AED 248 million. This loan is to be repaid in 8 quarterly instalments commencing from September 29, 2025.

During the year 2014, the Company obtained a term finance facility from a financial institution amounting to AED 500 million. The term finance facility carries 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. During the year 2021, the Company signed a further amendment agreement with the financial institution to extend the repayment of AED 400 million, the outstanding loan amount as of the date of amendment, over a period of 4 years, from the date of amendment.

During the year 2018, the Company obtained a term of loan facility from a financial institution amounting to AED 140 million. The term finance facility carries variable interest rate at the prevailing market rates. The facility is for a period of 5 years.

During the year 2018, SLLC obtained a term loan from a financial institution amounting to AED 225 million against a total sanctioned amount of AED 354 million. The loan is 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 have applicable payment moratorium ranging from 5 – 11 quarters from the date of tranche disbursement. The term finance facility carries variable interest rate at the prevailing market rates. During the prior year, this term loan was repaid in full by SLLC.

During the year 2020, the Company obtained a term loan 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.

2) Foreign currency loan:

During the year 2017, SLLC obtained a foreign currency loan 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 lending 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.

19 Borrowings (continued)

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, Mrs. Sobha Menon Raghavan Nair and Mrs. Bindu PNC Menon, 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.

20 Finance lease liabilities

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

	(Un-audited) March 31, 2023		(Audited) December 31, 2022	
	Current AED '000	Non-current AED '000	Current AED '000	Non-current AED '000
Finance lease liabilities	33	-	46	-

The movement in the finance lease liabilities is as follows:

	(Un-audited) March 31, 2023 AED	(Audited) December 31, 2022 AED
Opening balance	46	824
Finance cost (note 26)	5	97
Repayments	(18)	(875)
Closing balance	33	46

At the reporting date, the net carrying amount of the Group's assets held under a finance lease arrangement is AED 30,894 (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:

	Minimum lease payments due		
March 31, 2023 (Un-audited)	Within 1 year AED '000	More than 1 year AED '000	Total AED '000
Lease payments	37	-	37
Finance charges	(4)	-	(4)
Net present value	33	-	33
December 31, 2022 (Audited)			
Lease payments	51	-	51
Finance charges	(5)	-	(5)
Net present value	46	-	46

21 Trade and other payables

	(Un-audited) March 31, 2023 AED '000	(Audited) December 31, 2022 AED '000
Financial liabilities		
Trade payables*	**377,550**	304,523
Provision for leave pay and air tickets	**13,532**	10,270
Staff advances and payables	**1,109**	1,514
Accruals	**159,120**	213,955
Other	**350**	384
	551,661	530,646
Non-financial liabilities		
Advance from customers**	**27,582**	19,377
Excess billings	**20,356**	47,113
	47,938	66,490
	599,599	597,136

* Trade payables as of the reporting date include AED 119,712,000 (2022: AED 169,712,000) payable in relation to the purchase of an investment property (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

	(Un-audited) March 31, 2023 AED '000	(Un-audited) March 31, 2022 AED '000
Revenue from sale of apartments and villas	**1,609,154**	983,964
Less: units cancelled during the period*	**(2,145)**	(5,242)
Revenue from security services	**2,036**	1,058
	1,609,045	979,780

*As a result of customer defaults, sales and purchase agreements with customers for 2 units (2022: 4 units) were cancelled and the Group has reinstated these units.

Notes to the condensed interim consolidated financial information (Un-audited) (continued)
For the period ended March 31, 2023

23 Direct costs

	(Un-audited) March 31, 2023 AED '000	(Un-audited) March 31, 2022 AED '000
Land cost	**403,480**	371,750
Construction cost	**370,097**	135,955
Overheads	**73,239**	14,189
Design cost	**65,563**	33,125
Finance cost	**41,254**	12,663
Infrastructure cost	**22,567**	49,904
Less: cost of units cancelled during the period	**(1,310)**	(3,310)
Other direct costs	**1,764**	782
	976,654	615,058

24 Administrative and general expenses

	(Un-audited) March 31, 2023 AED '000	(Un-audited) March 31, 2022 AED '000
Commission expense	**54,950**	23,198
Salaries and other benefits	**44,646**	32,138
Administration and management fee* (note 12)	**4,832**	2,436
Communication expense	**2,608**	469
Repairs and maintenance	**2,432**	1,614
Legal and professional	**2,210**	568
Utilities	**2,168**	595
Printing and stationary	**898**	184
Bank charges	**307**	301
Rent	**193**	251
Other	**6,220**	3,564
	121,464	65,318

*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

	(Un-audited) March 31, 2023 AED '000	(Un-audited) March 31, 2022 AED '000
Commission expense	**136,257**	73,769
Advertisement and marketing	**31,429**	22,006
Business promotion	**4,879**	14,811
	172,565	110,586

26 Finance costs – net

	(Un-audited) March 31, 2023 AED '000	(Un-audited) March 31, 2022 AED '000
Interest on borrowings	**15,772**	33,664
Interest capitalised to properties under development	**(12,449)**	(17,523)
Net interest on borrowings	**3,323**	16,141
Interest on finance lease liability	**5**	55
Loan processing fees	**1,657**	2,527
	4,985	18,723

27 Capital commitments

	(Un-audited) March 31, 2023	(Audited) December 31, 2022
	AED '000	AED '000
Capital commitments for properties under development	**7,616,047**	5,677,502
Capital commitments for purchase of land	**460,000**	460,000

28 Cash flow adjustments and changes in working capital

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

		(Un-audited) March 31, 2023 AED '000	(Un-audited) March 31, 2022 AED '000
Adjustments for:			
Depreciation and amortisation		**4,427**	3,740
Loan processing fees	26	**1,657**	2,527
Net interest expense on borrowings	26	**3,323**	16,141
Interest expense on finance lease liabilities	26	**5**	55
Loss on write-off of properties and equipment		**149**	-
Provision for employees' end of service benefits	18	**3,204**	2,355
		12,765	24,818
Net changes in working capital:			
Trade and other receivables		**(252,884)**	(289,117)
Other financial assets		**(22,030)**	11,868
Due to related parties		**8,617**	(83,297)
Trade and other payables		**52,462**	12,034
Movement in properties under development		**525,083**	420,167
		311,248	71,655

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
(Un-audited) March 31, 2023					
Investment properties (note 6)	(i)	**-**	**-**	**1,193,201**	**1,193,201**
Financial asset (note 8)	(ii)	**887,117**	**-**	**-**	**887,117**
(Audited) December 31, 2022					
Investment properties (note 6)	(i)	-	-	1,303,186	1,303,186
Financial asset (note 8)	(ii)	1,211,049	-	-	1,211,049

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 December 31, 2022 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 shareholder value; and to maintain an optimal capital structure to reduce the cost of capital.

The Group's capital structure follows:

	(Un-audited) March 31, 2023	(Audited) December 31, 2022
	AED '000	AED '000
Equity attributable to the owners of the Company	**6,973,751**	6,960,930
Cash and cash equivalents	**1,015,899**	679,155

P N C Investments L.L.C

Consolidated Financial Statements
For the year ended December 31, 2022

P N C Investments L.L.C
Consolidated Financial Statements
For the year ended December 31, 2022

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Manager's report

The Manager is pleased to submit his report along with the audited consolidated financial statements of P N C Investments L.L.C (the "Company") and its subsidiaries (the "Group") for the year ended December 31, 2022.

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 consolidated financial statements.

The Group reported a net profit for the year amounting to AED 1,227 million (2021: AED 616 million).

Manager

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

- Mr. Anuj Jain

Auditors

Grant Thornton were appointed as auditors of the Group for the year ended December 31, 2022. The Manager resolved to release Grant Thornton from any liabilities on auditing the consolidated financial statements for the year ended December 31, 2022. Grant Thornton being eligible, have offered themselves for re-appointment for the year ending December 31, 2023.

These consolidated financial statements for the year ended December 31, 2022 (including comparatives) were approved on January 30, 2023 by:

AnujJain

Mr. Anuj Jain
Manager

Dubai, United Arab Emirates

Grant Thornton

Grant Thornton Audit and Accounting Limited (Dubai Branch)

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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 (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2022, and 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 a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2022, and its financial performance and its 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' Code of Ethics for Professional Accountants (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.

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

Management is responsible for the preparation and fair presentation of these 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.

Grant Thornton

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

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.

- 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.

Grant Thornton

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)

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.

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;

iv) The financial information included in the Manager's report in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

v) Note 1 to the consolidated financial statements discloses the Group's investment in additional shares in a subsidiary during the year ended December 31, 2022;

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, 2022 any of the applicable provisions of the UAE Federal Law No. (32) of 2021, or of its Articles of Association which would materially affect its activities or its consolidated financial position as at December 31, 2022.

Grant Thornton

Grant Thornton P.O. Box: 1620 DUBAI-U.A.E. Public Accountants

GRANT THORNTON
Farouk Mohamed
Registration No. 86
Dubai, January 30, 2023

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

Consolidated statement of financial position
As at December 31, 2022

	Notes	2022 AED '000	2021 AED '000
ASSETS			
Non-current			
Property and equipment	5	57,225	56,616
Intangible assets	6	1,057	1,461
Investment properties	7	1,303,186	2,712,198
Properties under development	8	66,677	317,069
Financial asset	9	1,211,049	2,033,883
		2,639,194	5,121,227
Current			
Properties under development	8	1,454,058	1,222,135
Trade and other receivables	10	5,286,478	3,394,596
Other financial assets	11	43,974	47,595
Cash and cash equivalents	12	679,155	237,037
		7,463,665	4,901,363
TOTAL ASSETS		10,102,859	10,022,590
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	300	300
Statutory reserve	15	150	150
Fair value reserve	18	699,648	1,522,482
Retained earnings		5,261,213	3,777,727
Shareholders' account	16	999,619	999,187
		6,960,930	6,299,846
Non-controlling interest	17	374,946	723,683
TOTAL EQUITY		7,335,876	7,023,529
LIABILITIES			
Non-current			
Employees' end of service benefits	19	12,776	10,331
Borrowings	20	1,578,978	2,076,570
Finance lease liabilities	21	-	45
		1,591,754	2,086,946
Current			
Borrowings	20	298,512	379,220
Finance lease liabilities	21	46	779
Trade and other payables	22	597,136	278,874
Due to related parties	13	279,535	253,242
		1,175,229	912,115
TOTAL LIABILITIES		2,766,983	2,999,061
TOTAL EQUITY AND LIABILITIES		10,102,859	10,022,590

These consolidated financial statements for the year ended December 31, 2022 (including comparatives) were approved on January 30 2023 by:

Mr. Anuj Jain
Manager

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
For the year ended December 31, 2022

	Notes	2022 AED '000	2021 AED '000
Revenue	23	**5,550,175**	3,165,950
Direct costs	24	**(3,397,230)**	(2,135,802)
GROSS PROFIT		**2,152,945**	1,030,148
Administrative and general expenses	25	**(294,783)**	(158,685)
Depreciation and amortization	5,6	**(16,993)**	(13,386)
Selling and marketing expenses	26	**(652,496)**	(251,959)
Finance costs – net	27	**(72,803)**	(59,828)
Gain on fair value of investment properties	7	**77,859**	50,507
Other income		**33,663**	18,856
NET PROFIT FOR THE YEAR		**1,227,392**	615,653
Other comprehensive income			
Fair value (loss)/gain on financial asset	9	**(620,765)**	1,092,066
Foreign exchange loss on financial asset	9	**(202,069)**	(19,220)
		(822,834)	1,072,846
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**404,558**	1,688,499
Net profit for the year attributable to:			
Owners of the Company		**1,227,862**	618,772
Non-controlling interest		**(470)**	(3,119)
		1,227,392	615,653
Total comprehensive income attributable to:			
Owners of the Company		**405,028**	1,691,618
Non-controlling interest		**(470)**	(3,119)
		404,558	1,688,499

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended December 31, 2022

	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 AED '000
Balance at January 1, 2021	300	150	449,636	3,158,955	999,198	4,608,239	726,802	5,335,041
Net profit for the year	-	-	-	618,772	-	618,772	(3,119)	615,653
Net movement in Shareholders' account	-	-	-	-	(11)	(11)	-	(11)
Other comprehensive income	-	-	1,072,846	-	-	1,072,846	-	1,072,846
Balance at December 31, 2021	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 subsidiary (note 17.1)	-	-	-	255,624	-	255,624	(348,267)	(92,643)
Net movement in Shareholders' account (note 16)	-	-	-	-	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**

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended December 31, 2022

	Notes	2022 AED '000	2021 AED '000
OPERATING ACTIVITIES			
Net profit for the year		**1,227,392**	615,653
Non-cash adjustments	29	**16,135**	25,436
Operating cash flows before net changes in working capital		**1,243,527**	641,089
Net changes in working capital	29	**166,251**	(133,635)
Employees' end of service benefits paid	19	**(1,753)**	(235)
Net cash from operating activities		**1,408,025**	507,219
INVESTING ACTIVITIES			
Purchase of property and equipment	5	**(16,950)**	(15,994)
Purchase of intangible assets	6	**(248)**	(277)
Additions to investment properties		**(152,077)**	-
Net cash used in investing activities		**(169,275)**	(16,271)
FINANCING ACTIVITIES			
Proceeds from borrowings	20	**105,000**	21,960
Net movement in shareholders' account	16	**-**	(11)
Repayment of finance lease liabilities	21	**(875)**	(2,419)
Loan processing fees paid	27	**(10,850)**	(9,867)
Increase in investment in a subsidiary	17.1	**(70,916)**	-
Repayment of borrowings	20	**(814,163)**	(326,519)
Advances paid	10	**(4,828)**	(21,727)
Net cash used in financing activities		**(796,632)**	(316,856)
Net change in cash and cash equivalents		**442,118**	174,092
Cash and cash equivalents, beginning of year		**237,037**	62,945
Cash and cash equivalents, end of year	12	**679,155**	237,037
Non-cash transactions:			
Net movement in Shareholders' account	16	**432**	-
Investment property transferred from a related party	7	**1,902,500**	-
Investment property transferred to a related party	7	**1,902,068**	-
Investment property acquired		**169,712**	-

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

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.

Federal Law By Decree No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on September 20, 2021 with an effective date of January 2, 2022, and has entirely replaced Federal Law No. 2 of 2015 on Commercial Companies, as amended. Management has undertaken the necessary steps to comply with the provisions of the New Companies Law

On January 31, 2022, the UAE Ministry of Finance announced the introduction of a 9% Federal Corporate Tax rate effective for fiscal years commencing on or after June 1, 2023 and on December 9, 2022, the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses was issued. There is no impact of this announcement on the consolidated financial statements of the Group for the year ended December 31, 2022. Management will assess the implications of this Federal Corporate Tax in due course.

The Company holds investments in the following entities (the "Subsidiaries") as at December 31, 2022 and December 31, 2021, which have been consolidated in these consolidated financial statements:

	Country of incorporation		Ownership interest	
Name of subsidiaries	**and operation**	**Principal activity**	**2022**	2021
Subsidiaries of PNC Investments LLC				
Sobha L.L.C (a)	UAE	Real estate development	**100%**	100%
Sobha Lifestyle City Limited (b)	UAE	Investment in land and properties	**78.04%**	57.67%

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.

These consolidated financial statements also incorporate 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.

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 2022

Standards, interpretations and amendments that are effective for the first time in 2022 (for entities with a December 31, 2022, year-end) are:

- References to the Conceptual Framework (Amendments to IFRS 3)
- COVID-19 Related Rent Concessions beyond December 31, 2021 (Amendment to IFRS 16)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements (2018-2020 Cycle):
  - Subsidiary as a First-time Adopter (Amendments to IFRS 1)
  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendments to IFRS 9)
  - Lease Incentives (Amendments IFRS 16)
  - Taxation in Fair Value Measurements (Amendments to IAS 41)

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.

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 Summary of significant 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 presentational currency.

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 transactions

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.

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.

Fair value model

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

Investment properties are revalued annually and are included in the consolidated statement of financial position at their open market 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 Summary of significant accounting policies (continued)

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 or 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 of 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 4.20. 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.

4 Summary of significant 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, 2022 and December 31, 2021. 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 owners of the Company.

4 Summary of significant accounting policies (continued)

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
• 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.

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 Summary of significant accounting policies (continued)

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 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 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.

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.

4 Summary of significant 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 described below:

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, other financial assets, 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 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.

4 Summary of significant 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, 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 statement of comprehensive income are included within 'finance costs - net'.

4 Summary of significant accounting policies (continued)

4.11 Financial instruments (continued)

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.

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 Summary of significant accounting policies (continued)

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.

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 Summary of significant accounting policies (continued)

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 period profits and losses.

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

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.

4 Summary of significant accounting policies (continued)

4.16 Revenue recognition (continued)

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.

4.17 Direct costs

Direct costs include cost of land, development costs, material costs 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 Summary of significant accounting policies (continued)

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 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.

4 Summary of significant accounting policies (continued)

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

Impairment of financial assets (continued)

Use of estimates and judgements - IFRS 15

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.

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.

4 Summary of significant accounting policies (continued)

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

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.

4.21 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.

4 Summary of significant accounting policies (continued)

4.21 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.

5 Property and equipment

	Buildings	Machinery and other equipment	Furniture and fixtures	Vehicles	Other assets	Capital work in progress	Total
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
2022							
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
Reclassification	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
Carrying amounts at December 31, 2022	**49,139**	**3,081**	**168**	**884**	**1,679**	**2,274**	**57,225**

5 Property and equipment (continued)

	Buildings	Machinery and other equipment	Furniture and fixtures	Vehicles	Other assets	Capital work in progress	Total
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
2021							
Cost							
Balance at January 1, 2021	38,402	4,576	1,571	8,599	11,257	7,273	71,678
Additions	9,265	2,538	-	-	-	4,191	15,994
Transferred from properties under development (note 8)	4,503	-	-	-	-	-	4,503
Reclassification	7,273	-	-	-	-	(7,273)	-
Balance at December 31, 2021	59,443	7,114	1,571	8,599	11,257	4,191	92,175
Accumulated depreciation							
Balance at January 1, 2021	2,588	4,276	1,465	5,786	8,744	-	22,859
Charge for the year	9,253	1,646	54	1,214	533	-	12,700
Balance at December 31, 2021	11,841	5,922	1,519	7,000	9,277	-	35,559
Carrying amounts at December 31, 2021	47,602	1,192	52	1,599	1,980	4,191	56,616

At the reporting date, certain vehicles with a carrying value of AED 65,191 (2021: AED 202,381) were mortgaged to the bank against finance lease liabilities.

6 Intangible assets

Computer software	2022 AED '000	2021 AED '000
Cost		
Opening balance	**5,199**	4,922
Additions	**248**	277
Closing balance	**5,447**	5,199
Accumulated amortization		
Opening balance	**3,738**	3,052
Charge for the year	**652**	686
Closing balance	**4,390**	3,738
	1,057	1,461

7 Investment properties

	2022 AED '000	2021 AED '000
Opening balance	**2,712,198**	3,494,086
Fair value gain	**77,859**	50,507
Additions(c)	**321,789**	-
Transferred from a related party (a)	**1,902,500**	-
Transferred from properties under development (note 8)	**187,702**	-
Transferred to a related party (a)	**(1,902,068)**	-
Transferred to properties under development (note 8) (b)	**(1,996,794)**	(832,395)
	1,303,186	2,712,198

Particulars	Location	2022 AED '000	2021 AED '000
Land	Plots at Hartland Project, Mohammed Bin Rashid Al Maktoum City, Godolphin River City, Dubai, UAE	-	1,081,260
Land	Plot No. 4277, Hadaeq Sheikh Mohammed Bin Rashid, Dubai, UAE (a)	-	1,105,564
Land	Plot No. 4278, Hadaeq Sheikh Mohammed Bin Rashid, Dubai, UAE (a)	-	368,520
Building	7 units of commercial space in 'Sobha Sapphire' – Business Bay, Dubai, UAE	**24,847**	24,847
Land	Plot No HO3, Al Merkadh Dubai (b)	-	132,007
Land	Plot No 6110129, Bukadra, Dubai (a)	**1,160,000**	-
Land	Plot No 1238 (643-8092), Wadi Al Safa Two, Dubai (c)	**118,340**	-
		1,303,186	2,712,198

Certain plots of land and building have been pledged as security for the Group's borrowings (see note 20).

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 427,982,511;
- 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;
- 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.

7 Investment properties (continued)

During the prior year, on January 1, 2021, the Group transferred investment properties located at Plot No. 3473941, Plot No. 3473942 and Plot No. 3473257-3473262 located at Hartland, Godolphin River City, Meydan, Dubai, UAE, with values of AED 118,126,911, AED 121,751,026 and AED 592,517,788, respectively, to properties under development, for the purpose of developing real estate projects on the said properties.

(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 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. As of the reporting date, the Company has AED 169,712,000, payable in relation to the purchase of this property.

Note 31 sets out the method used for the determination of the estimated fair value of the investment properties.

8 Properties under development

	2022 AED '000	2021 AED '000
Properties under development	**1,520,735**	1,539,204

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

	2022 AED '000	2021 AED '000
Opening balance	**1,539,204**	1,963,457
Transferred from investment properties (note 7)	**1,996,794**	832,395
Additions during the year	**1,564,580**	880,992
Transferred to property and equipment (note 5)	**-**	(4,503)
Transferred to investment properties (note 7)	**(187,702)**	-
Transferred to direct costs – net	**(3,392,141)**	(2,133,137)
Closing balance	**1,520,735**	1,539,204
Less: Non-current portion	**(66,677)**	(317,069)
Current portion	**1,454,058**	1,222,135

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

Additions to properties under development include capitalised borrowing costs amounting to AED 69 million (2021: AED 96 million) (note 27).

9 Financial asset

	2022 AED '000	2021 AED '000
Equity instruments at FVOCI (quoted equity securities)	**1,211,049**	2,033,883

Movement in the financial asset is as follows:

	2022 AED '000	2021 AED '000
Opening balance	**2,033,883**	961,037
Change in fair value	**(620,765)**	1,092,066
Foreign exchange loss	**(202,069)**	(19,220)
Closing balance	**1,211,049**	2,033,883

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 Group representing 48.58% (2021: 48.58%) of the total equity shares in the investee amounting to AED 1.21 billion (2021: AED 2.03 billion). The fair value of the equity instruments is determined with reference to published price quoted in the active market.

10 Trade and other receivables

	2022	2021
	AED '000	AED '000
Financial assets		
Trade receivables	**4,960,512**	3,233,882
Deposits	**20,448**	6,007
Other receivables	**-**	1,893
	4,980,960	3,241,782
Non-financial assets		
Prepayments	**13,577**	13,360
Advance to suppliers	**62,358**	20,049
Advances**	**4,828**	21,728
VAT receivable	**33,903**	12,890
Deferred expenses*	**188,359**	84,787
Staff advances	**2,493**	-
	305,518	152,814
	5,286,478	3,394,596

*This represents commission paid to third party brokers.

**Advances of AED 4,827,997 (2021: AED 21,727,782) 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

	2022	2021
	AED '000	AED '000
Deposits - current	**43,974**	47,595

The deposits are under lien against the borrowings obtained (note 20).

12 Cash and cash equivalents

	2022	2021
	AED '000	AED '000
Cash on hand	**19,741**	24,624
Cash at banks		
- in escrow account*	**518,569**	210,653
- in current account	**140,845**	1,760
	659,414	212,413
Cash and cash equivalents	**679,155**	237,037

*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).

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.

	2022 AED' 000	2021 AED' 000
Due to related parties		
Associated undertakings		
Sobha Constructions LLC	**257,598**	231,617
PNC Architects	**21,927**	10,049
Latinem Facilities Management LLC	**-**	11,409
Other related parties	**10**	167
	279,535	253,242

Key management personnel compensation

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

	2022 AED '000	2021 AED '000
Salaries and benefits	**35,321**	36,569

13 Related parties (continued)

Transactions with related parties

Significant transactions carried out with related parties are as follows:

	2022 AED '000	2021 AED '000
Construction and development expenses for properties under development	**1,127,771**	689,263
Project design and supervision fee charged by a related party	**54,172**	36,240
Administration and management fee (note 25)	**14,487**	7,598
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.

	2022 AED '000	2021 AED '000
Authorised, issued and fully paid-up share capital (300 shares)	**300**	300

The shareholding is as follows:

	2022 %	2022 No. of shares	2022 AED'000	2021 %	2021 No. of shares	2021 AED'000
Mr. Puthan N C Menon	**53%**	**159**	**159**	53%	159	159
Mrs. Sobha Menon Raghavan Nair	**26%**	**78**	**78**	26%	78	78
Mrs. Bindu PNC Menon	**21%**	**63**	**63**	21%	63	63
	100%	**300**	**300**	100%	300	300

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

16 Shareholders' account

	2022 AED '000	2021 AED '000
Mr. Puthan N C Menon*	**132,961**	132,529
Mrs. Sobha Menon Raghavan Nair	**849,537**	849,537
Mrs. Bindu PNC Menon	**17,121**	17,121
	999,619	999,187

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

*Net movement of AED 432,523 in Mr. Puthan.NC Menon's account represents the net impact of the transfer of investment properties (note 7).

17 Non-controlling interest (NCI)

	2022 AED '000	2021 AED '000
Sobha Lifestyle City Limited (a)	**374,946**	723,683

(a) This represents 21.96% (2021: 42.33%) 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
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**
2021	
Balance at January 1, 2021	726,802
Share of loss for the year	(3,119)
Balance at December 31, 2021	723,683

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 2022	2021	Loss allocated to NCI 2022	2021	Principal activity and principal place of business
			AED '000	AED '000	
Sobha Lifestyle City Limited	**21.96%**	42.33%	**470**	3,119	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 2022	2021
	AED '000	AED '000
Non-current	**-**	1,081,260
Current assets	**2,077,812**	1,235,745
Total assets	**2,077,812**	2,317,005
Non-current	**-**	-
Current liabilities	**370,278**	607,332
Total liabilities	**370,278**	607,332
Equity attributable to owners of the Company	**1,332,588**	985,990
Non-controlling interests	**374,946**	723,683

Notes to the consolidated financial statements (continued)
For the year ended December 31, 2022

17 Non-controlling interest (continued)

17.1 Subsidiary with material non-controlling interests (continued)

	Sobha Lifestyle City Limited	
	2022	2021
	AED '000	AED '000
Revenue	-	-
Loss for the year attributable to owners of the Company	(1,669)	(4,250)
Loss for the year attributable to NCI	(470)	(3,119)
Net loss for the year	(2,139)	(7,369)
Net cash used in operating activities	(1)	(8)
Net cash from investing activities	-	-
Net cash from in financing activities	-	-
Net cash outflow	(1)	(8)

17 Non-controlling interest (continued)

17.1 Subsidiary with material non-controlling interests (continued)

*On January 29, 2022, the Company purchased 450,000 shares in Sobha Lifestyle City Limited, representing an additional 16.67% investment for a consideration of AED 71,643,000, of which AED 20,595,453 was paid in the prior year as an advance, and the balance was paid during the current year. On December 31, 2022, the Company further purchased 100,000 shares in Sobha Lifestyle City Limited representing an additional 3.70% investment for a consideration of AED 21,000,000 of which AED 1,132,329 was paid in the prior year as an advance and the balance was paid in the current year.

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

	Sobha Lifestyle City Limited
	December 31, 2022
	AED '000
Consideration for purchase of additional interests	92,643
Carrying value of the additional interests acquired	348,267
Recognised in retained earnings	**255,624**

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:

	2022 AED '000	2021 AED '000
Opening balance	**1,522,482**	449,636
Fair value change on financial assets (note 9)	**(620,765)**	1,092,066
Foreign exchange loss on financial assets (note 9)	**(202,069)**	(19,220)
Closing balance	**699,648**	1,522,482

19 Employees' end of service benefits

	2022 AED '000	2021 AED '000
Opening balance	**10,331**	7,837
Charge for the year	**4,198**	2,729
Payments made during the year	**(1,753)**	(235)
Closing balance	**12,776**	10,331

20 Borrowings

	2022			2021		
	Current AED '000	**Non-current AED '000**	**Total AED '000**	Current AED '000	Non-current AED '000	Total AED '000
Term finance	**177,474**	**1,489,674**	**1,667,148**	206,433	1,778,114	1,984,547
Ijarah finance	**-**	**-**	**-**	91,625	91,350	182,975
Foreign currency loan	**121,038**	**89,304**	**210,342**	81,162	207,106	288,268
	298,512	**1,578,978**	**1,877,490**	379,220	2,076,570	2,455,790

The movement in borrowings is as follows:

	2022 AED '000	2021 AED '000
Opening balance	**2,455,790**	2,614,372
Additions during the year	**105,000**	21,960
Interest expense on borrowings (note 27)	**130,863**	145,977
Repayments during the year	**(814,163)**	(326,519)
Closing balance	**1,877,490**	2,455,790

20 Borrowings (continued)

Bank loans

Bank loans represents Term finance, Ijarah finance and Foreign currency loan obtained from financial institutions.

1) Ijarah finance:

During the year 2019, Sobha L.L.C ("SLLC") obtained a loan of AED 60 million which is repayable in 16 quarterly instalments. The loan carries interest at the prevailing market rates.

During the year, SLLC repaid the Ijarah finance facility in full.

2) Term finance:

During the year 2014, the Company obtained a term finance facility from a financial institution amounting to AED 500 million. The term finance facility carries 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. During the year, the Company further signed an amendment agreement with the financial institution to extend the repayment of AED 400 million, the outstanding loan amount as of the date of amendment, over a period of 4 years, from the date of amendment.

During the year 2018, the Company obtained a term of loan facility from a financial institution amounting to AED 140 million. The term finance facility carries variable interest rate at the prevailing market rates. The facility is for a period of 5 years.

During the year 2018, the Company obtained a term of loan facility from a financial institution amounting to AED 50 million. The term finance facility carries variable interest rate at the prevailing market rates. The facility is for a period of 4 years. During the year, the loan was repaid in full by the Company.

During the year 2018, SLLC obtained a term loan from a financial institution amounting to AED 225 million against a total sanctioned amount of AED 354 million. The loan is 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 the prior year, SLLC received an additional amount of AED 21.96 million against the total facility amount. Tranches of the loan have applicable payment moratorium ranging from 5 – 11 quarters from the date of tranche disbursement. The term finance facility carries variable interest rate at the prevailing market rates. During the year, this term loan was repaid in full by SLLC.

During the year 2020, the Company obtained a term loan 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 year, SLLC has availed a new term loan facility from a financial institution amounting to AED 735 million of which SLLC has received AED 105 million as of December 31, 2022. The loan is to be repaid in 8 quarterly instalments commencing from September 29, 2025.

20 Borrowings (continued)

Bank loans (continued)

3) Foreign currency loan

During the year 2017, SLLC obtained a foreign currency loan 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 lending 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, the repayment of the foreign currency loan has commenced upon completion of the moratorium period of 4 years from the date of the agreement amendment.

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;
- Irrevocable assignment of dividends receivable from District One Project Phase 1 & 2;
- 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, Mrs. Sobha Menon Raghavan Nair and Mrs. Bindu PNC Menon, 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
- 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.
- Personal guarantees of Mr. Puthan N C Menon, Mrs. Sobha Menon Raghavan Nair and Mrs. Bindu PNC Menon, along with the personal Net-worth statements, covering the total facilities; and
- 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.

21 Finance lease liabilities

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

	2022		2021	
	Current AED '000	**Non-current AED '000**	Current AED '000	Non-current AED '000
Finance lease liabilities	**46**	**-**	779	45

The movement in the finance lease liabilities is as follows:

	2022 AED	2021 AED
Opening balance	**824**	2,985
Finance cost (note 27)	**97**	258
Repayments	**(875)**	(2,419)
Closing balance	**46**	824

At the reporting date, the net carrying amount of the Group's assets held under a finance lease arrangement is AED 65,191 (2021: AED 202,381).

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:

	Minimum lease payments due		
December 31, 2022	**Within 1 year AED '000**	**More than 1 year AED '000**	**Total AED '000**
Lease payments	**51**	**-**	**51**
Finance charges	**(5)**	**-**	**(5)**
Net present value	**46**	**-**	**46**
December 31, 2021			
Lease payments	873	51	924
Finance charges	(94)	(6)	(100)
Net present value	779	45	824

22 Trade and other payables

	2022	2021
	AED '000	AED '000
Financial liabilities		
Trade payables	**304,523**	105,601
Provision for leave pay and air tickets	**10,270**	7,221
Staff advances and payables	**1,514**	276
Accruals	**213,955**	108,990
Other	**384**	151
	530,646	222,239
Non-financial liabilities		
Advance from customers**	**19,377**	42,294
Excess billings	**47,113**	14,341
	66,490	56,635
	597,136	278,874

* Trade payables include AED 169,712,000 payable in relation to the purchase of an investment property (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

	2022	2021
	AED '000	AED '000
Revenue from sale of apartments and villas	**5,555,096**	3,180,475
Less: units cancelled during the year*	**(11,874)**	(17,992)
Revenue from security services	**6,953**	3,467
	5,550,175	3,165,950

*As a result of customer defaults, sales and purchase agreements with customers for 5 units (2021: 9 units) have been cancelled and the Group has reinstated these units.

24 Direct costs

	2022	2021
	AED '000	AED '000
Land cost	**1,640,750**	1,010,754
Construction cost	**1,191,609**	792,149
Infrastructure cost	**264,937**	163,100
Finance cost	**86,115**	86,004
Design cost	**108,733**	38,927
Overheads	**104,979**	53,143
Less: cost of units cancelled during the year	**(4,589)**	(10,940)
Other direct costs	**4,696**	2,665
	3,397,230	2,135,802

25 Administrative and general expenses

	2022	2021
	AED '000	AED '000
Salaries and other benefits	**153,258**	93,179
Commission expense	**85,702**	37,044
Administration and management fee* (note 13)	**14,487**	7,598
Repairs and maintenance	**12,599**	7,834
Utilities	**6,331**	3,479
Communication expense	**5,881**	1,374
Legal and professional	**5,147**	1,358
Printing and stationary	**1,586**	188
Bank charges	**975**	690
Rent	**799**	1,184
Other	**8,018**	4,757
	294,783	158,685

*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

	2022 AED '000	2021 AED '000
Commission expense	**544,705**	155,002
Advertisement and marketing	**91,925**	56,231
Business promotion	**15,866**	40,726
	652,496	251,959

27 Finance costs - net

	2022 AED '000	2021 AED '000
Interest on borrowings (note 20)	**130,863**	145,977
Interest capitalised to properties under development (note 8)	**(69,007)**	(96,274)
Net interest on borrowings	**61,856**	49,703
Interest on finance lease liability (note 21)	**97**	258
Loan processing fees	**10,850**	9,867
	72,803	59,828

28 Contingent liabilities and capital commitments

	2022 AED '000	2021 AED '000
Capital commitments for properties under development	**5,677,502**	2,467,571
Capital commitments for properties and equipment	**-**	13,025
Capital commitments for purchase of land	**460,000**	-
Guarantee cheques*	**-**	37,605
Letter of guarantee	**-**	1,989

*Guarantee cheques represents guarantee given to Meraas Estates LLC towards purchase of land.

29 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:

		2022 AED '000	2021 AED '000
Adjustments for:			
Depreciation and amortisation	5,6	**16,993**	13,386
Gain on fair value of investment properties	7	**(77,859)**	(50,507)
Loan processing fees	27	**10,850**	9,867
Net interest expense on borrowings	27	**61,856**	49,703
Interest expense on finance lease liabilities	27	**97**	258
Provision for employees' end of service benefits	19	**4,198**	2,729
		16,135	25,436
Net changes in working capital:			
Trade and other receivables		**(1,908,779)**	(1,764,928)
Other financial assets		**3,621**	61,304
Due from related parties		**-**	149,897
Due to related parties		**26,293**	(34,673)
Trade and other payables		**148,550**	106,347
Movement in properties under development		**1,896,568**	1,348,418
		166,253	(133,635)

30 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 are described below.

30.1 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.

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:

	2022	2021
	AED '000	AED '000
Financial assets at FVOCI (note 9)	**1,211,049**	2,033,883

30 Financial instruments risk (continued)

30.1 Market risk (continued)

Foreign exchange risk (continued)

The following table details the Group sensitivity to a +/- 5% (2021: +/- 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, 2022	**(60,552)**	**60,552**	**(60,552)**	**60,552**
December 31, 2021	(101,694)	101,694	(101,694)	101,694

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% (2021: +/- 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, 2022	**(18,775)**	**18,775**	**(18,775)**	**18,775**
December 31, 2021	(24,558)	24,558	(24,558)	24,558

30 Financial instruments risk (continued)

30.1 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% (2021: +/- 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, 2022	**60,552**	**(60,552)**	**60,552**	**(60,552)**
December 31, 2021	101,694	(101,694)	101,694	(101,694)

30 Financial instruments risk (continued)

30.2 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	2022 AED '000	2021 AED '000
Trade and other receivables	10	**4,980,960**	3,241,782
Cash at banks	12	**659,414**	212,413
Other financial assets	11	**43,794**	47,595
		5,684,168	3,501,790

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.

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.

30 Financial instruments risk (continued)

30.3 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, 2022	**AED '000**	**AED '000**	**AED '000**
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)	**46**	**-**	**46**
Total	**1,108,739**	**1,578,978**	**2,687,717**
December 31, 2021			
Borrowings (note 20)	379,220	2,076,570	2,455,790
Due to related parties (note 13)	253,242	-	253,242
Trade and other payables (note 22)	222,239	-	222,239
Finance lease liabilities (note 21)	873	51	924
Total	855,574	2,076,621	2,932,195

31 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).

31 Fair value measurement (continued)

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
December 31, 2022					
Investment properties	(i)	**-**	**-**	**1,303,186**	**1,303,186**
Financial asset	(ii)	**1,211,049**	**-**	**-**	**1,211,049**
December 31, 2021					
Investment properties	(i)	-	-	2,712,198	2,712,198
Financial asset	(ii)	2,033,883	-	-	2,033,883

(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.

32 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:

	2022	2021
	AED '000	AED '000
Equity attributable to the owners of the Company	**6,960,930**	6,299,846
Cash and cash equivalents	**679,155**	237,037

33 Comparatives

Certain comparative figures have been reclassified in order to conform to the current year's presentation

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P N C Investments L.L.C

Consolidated Financial Statements
For the year ended December 31, 2021

P N C Investments L.L.C
Consolidated Financial Statements
For the year ended December 31, 2021

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Manager's report

The Manager is pleased to submit his report along with the audited consolidated financial statements of P N C Investments L.L.C (the "Company") and its subsidiaries (the "Group") for the year ended December 31, 2021.

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 consolidated financial statements.

The Group reported a net profit for the year amounting to AED 616 million (2020: AED 212 million).

Manager

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

- Mr. Anuj Jain

Auditors

Grant Thornton were appointed as auditors of the Group for the year ended December 31, 2021. The Manager resolved to release Grant Thornton from any liabilities on auditing the consolidated financial statements for the year ended December 31, 2021. Grant Thornton being eligible, have offered themselves for re-appointment for the year ending December 31, 2022.

These consolidated financial statements for the year ended December 31, 2021 (including comparatives) were approved on March 11, 2022 by:

AnujJain

Mr. Anuj Jain
Manager

Dubai, United Arab Emirates

Grant Thornton

Grant Thornton Audit and Accounting Limited (Dubai Branch)

The Offices 5
Level 3
Office 303
One Central, DWTC
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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 accompanying consolidated financial statements of P N C Investments L.L.C (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and 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 a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2021, and its financial performance and its 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' Code of Ethics for Professional Accountants (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.

Grant Thornton

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)

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, as amended, 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.

- 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.

Grant Thornton

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)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, as amended, 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. (2) of 2015, as amended;

iii) The Group has maintained proper books of account;

iv) The financial information included in the Manager's report in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

v) The Company did not purchase or invest in any shares during the financial year ended December 31, 2021;

vi) Note 15 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 Company and its subsidiaries has contravened during the financial year ended December 31, 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015, as amended, or of its Articles of Association which would materially affect its activities or its consolidated financial position as at December 31, 2021.

Grant Thornton

Grant Thornton Public Accountants P.O. Box: 1620 DUBAI-U.A.E.

GRANT THORNTON
Farouk Mohamed
Registration No. 86
Dubai, March 11, 2022

Consolidated statement of financial position
As at December 31, 2021

	Notes	2021 AED '000	2020 AED '000
ASSETS			
Non-current			
Property and equipment	5	**56,616**	48,819
Intangible assets	6	**1,461**	1,870
Investment properties	8	**2,712,198**	3,494,085
Properties under development	9	**317,069**	293,926
Financial asset	11	**2,033,883**	961,037
		5,121,227	4,799,737
Current			
Properties under development	9	**1,222,135**	1,669,531
Trade and other receivables	12	**3,394,596**	1,629,668
Due from related parties	15	**-**	149,897
Other financial assets	13	**47,595**	108,899
Cash and cash equivalents	14	**237,037**	62,945
		4,901,363	3,620,940
TOTAL ASSETS		**10,022,590**	8,420,677
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	**300**	300
Shareholder's capital contribution		**-**	-
Statutory reserve	17	**150**	150
Fair value reserve	20	**1,522,482**	449,636
Retained earnings		**3,777,727**	3,158,955
Foreign currency translation reserve		**-**	-
Shareholders' account	18	**999,187**	999,198
		6,299,846	4,608,239
Non-controlling interest	19	**723,683**	726,802
TOTAL EQUITY		**7,023,529**	5,335,041
LIABILITIES			
Non-current			
Employees' end of service benefits	21	**10,331**	7,837
Borrowings	22	**2,076,570**	753,188
Finance lease liabilities	23	**45**	903
		2,086,946	761,928
Current			
Borrowings	22	**379,220**	1,861,184
Finance lease liabilities	23	**779**	2,082
Trade and other payables	24	**278,874**	172,527
Due to related parties	15	**253,242**	287,915
		912,115	2,323,708
TOTAL LIABILITIES		**2,999,061**	3,085,636
TOTAL EQUITY AND LIABILITIES		**10,022,590**	8,420,677

These consolidated financial statements for the year ended December 31, 2021 (including comparatives) were approved on March 11, 2022 by:

Mr. Anuj Jain
Manager

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
For the year ended December 31, 2021

	Notes	**2021 AED '000**	2020 AED '000
Revenue	25	**3,165,950**	1,013,712
Direct costs	26	**(2,135,802)**	(666,106)
GROSS PROFIT		**1,030,148**	347,606
Administrative and general expenses	27	**(158,685)**	(102,049)
Depreciation and amortization	5,6	**(13,386)**	(6,923)
Selling and marketing expenses	28	**(251,959)**	(84,379)
Finance costs – net	29	**(59,828)**	(90,525)
Gain on fair value of investment properties	8	**50,507**	27,134
Other income	30	**18,856**	120,970
NET PROFIT FOR THE YEAR		**615,653**	211,834
Other comprehensive income			
Fair value gain on financial asset	11	**1,092,066**	31,637
Foreign exchange differences reclassified to profit or loss on transfer of subsidiary		**-**	127
Foreign exchange loss on financial asset	11	**(19,220)**	(22,338)
		1,072,846	9,426
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,688,499**	221,260
Net profit for the year attributable to:			
Owners of the Company		**618,772**	173,043
Non-controlling interest		**(3,119)**	38,791
		615,653	211,834
Total comprehensive income attributable to:			
Owners of the Company		**1,691,618**	182,469
Non-controlling interest		**(3,119)**	38,791
		1,688,499	221,260

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended December 31, 2021

	Share capital AED '000	Shareholder's capital contribution AED '000	Statutory reserve AED '000	Fair value reserve AED '000	Retained earnings AED '000	Shareholders' account AED '000	Foreign currency translation reserve AED '000	Attributable to the owners AED '000	Non-controlling interest AED '000	Total AED '000
Balance at January 1, 2020	300	53,993	150	440,337	5,125,353	999,402	(127)	6,619,408	699,825	7,319,233
Net profit for the year	-		-	-	173,043	-	-	173,043	38,791	211,834
Net movement in Shareholders' account	-		-	-	-	(204)	-	(204)	-	(204)
Increase in investment in subsidiary (note 19)	-	-	-	-	8,140	-	-	8,140	(11,814)	(3,674)
On transfer of subsidiary*	-	(53,993)	-	-	-	-	-	(53,993)	-	(53,993)
Dividends*	-	-	-	-	(2,147,581)	-	-	(2,147,581)	-	(2,147,581)
Other comprehensive income	-	-	-	9,299	-	-	127	9,426	-	9,426
Balance at December 31, 2020	300	-	150	449,636	3,158,955	999,198	-	4,608,239	726,802	5,335,041
Net profit for the year	-	-	-	-	618,772	-	-	618,772	(3,119)	615,653
Net movement in Shareholders' current account	-	-	-	-	-	(11)	-	(11)	-	(11)
Other comprehensive income	-	-	-	1,072,846	-	-	-	1,072,846	-	1,072,846
Balance at December 31, 2021	**300**	**-**	**150**	**1,522,482**	**3,777,727**	**999,187**	**-**	**6,299,846**	**723,683**	**7,023,529**

*Pertains to transfer of subsidiaries (refer note 33.1).

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended December 31, 2021

	Notes	2021 AED '000	2020 AED '000
OPERATING ACTIVITIES			
Net profit for the year		**615,653**	211,834
Non-cash adjustments	32	**15,567**	(48,763)
Operating cash flows before net changes in working capital		**631,220**	163,071
Net changes in working capital	32	**(111,905)**	(897,208)
Employees' end of service benefits paid	21	**(235)**	(1,185)
Net cash from/(used in) operating activities		**519,080**	(735,322)
INVESTING ACTIVITIES			
Purchase of property and equipment	5	**(15,994)**	(3,989)
Purchase of intangible assets	6	**(277)**	(258)
Advances paid	12	**(21,728)**	-
Proceeds from disposal of property and equipment		**-**	7
Net cash used in investing activities		**(37,999)**	(4,240)
FINANCING ACTIVITIES			
Proceeds from borrowings	22	**21,960**	1,413,712
Net movement in shareholders' account		**(11)**	(204)
Repayment of finance lease liabilities	23	**(2,419)**	(2,389)
Repayment of borrowings	22	**(326,519)**	(996,366)
Net cash (used in)/from financing activities		**(306,989)**	411,079
Net change in cash and cash equivalents		**174,092**	(328,483)
Cash and cash equivalents, beginning of year		**62,945**	391,428
Cash and cash equivalents, end of year	14	**237,037**	62,945
Non-cash transactions:			
Net assets transferred on transfer of subsidiaries	33	-	3,064,662
Dividends	16	-	2,147,581
Transfer of investment property by the Shareholder	8	-	1,425,000
Borrowings repaid by a related party	22	-	908,000
Disposal of intangible assets		-	798

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

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 and investment in land and properties.

Federal Law By Decree No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on September 20, 2021 with an effective date of January 2, 2022, and will entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended. The Company has twelve months from the effective date to comply with the provisions of the New Companies Law.

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

Name of subsidiaries	Country of incorporation and operation	Principal activity	Ownership interest 2021	Ownership interest 2020
Subsidiaries of PNC Investments LLC				
Sobha L.L.C (a)	UAE	Real estate development	**100%**	100%
Sobha Lifestyle City Limited (b)	UAE	Investment in land and properties	**57.67%**	57.67%
Sobha Capital L.L.C (c)	UAE	Investment and management of commercial properties	-	-
PNC Education Investments Ltd (d)	British Virgin Island	Investing activities	-	-
Subsidiary of PNC Education Investments Ltd				
International School Enterprises Ltd. (e)	British Virgin Island	Investing activities	-	-
Subsidiary of International School Enterprises Ltd.				
NLCS Depot Road PTE Ltd. (f)	Singapore	Educational facilities management services	-	-

a) Sobha L.L.C (SLLC) is a limited liability company under UAE Federal Law No. (2) of 2015, as amended.

b) Sobha Lifestyle City Limited (SLCL) is a limited liability company under Jebel Ali Free Zone Offshore Companies Regulations of 2018.

c) Sobha Capital L.L.C (SCAP) is a limited liability company under UAE Federal Law No. (2) of 2015, as amended. On January 1, 2020, the Company transferred its investment in SCAP to the Shareholder at its net book value.

d) PNC Education Investments Ltd (PEIL) is a company limited by shares incorporated in the British Virgin Island. On January 1, 2020, the Company transferred its investment in PEIL to the Shareholder at its net book value.

1 Legal status and nature of operations (continued)

e) International School Enterprises Ltd. (ISEL) is a company limited by shares incorporated in the British Virgin Island. On January 1, 2020, the Company transferred its investment in ISEL to the Shareholder at its net book value.

f) NLCS Depot Road PTE Ltd. (NDRP) is an exempt private company limited by shares company incorporated in Singapore. On January 1, 2020, the Company transferred its investment in NDRP to the Shareholder at its net book value.

These consolidated financial statements also incorporate 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.

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 2021

Following relevant new amendments to existing standards were issued by the IASB, which are effective for the annual period beginning on or after January 1, 2021 and have been adopted by the Group:

- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

On May 28, 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16-Leases. The amendment provides relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is ongoing, the IASB, on March 31, 2021, extended the period of application of the practical expedient to June 30, 2022. The amendment applies to annual reporting periods beginning on or after April 1, 2021.

These amendments did not have a significant impact on the consolidated financial statements and therefore, the disclosures have not been made.

4 Summary of significant accounting policies

4.1 Overall considerations

These consolidated financial statements are presented in Arab Emirates Dirham (AED), which is the Company's functional currency.

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 transactions

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.

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.

Fair value model

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

Investment properties are revalued annually and are included in the consolidated statement of financial position at their open market 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 Summary of significant accounting policies (continued)

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 or 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 of 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 4.11. 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.

4 Summary of significant accounting policies (continued)

4.7 Basis of consolidation

The Group's financial statements consolidate the financial position and results of the Company and all of its subsidiaries as at December 31, 2021 and 2020. 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 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.

The subsidiaries, sub-subsidiaries and investment in joint arrangements have a reporting date of December 31.

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 owners of the parent company.

4.8 Investment in joint arrangements

Joint Venture

Investment in a joint venture is accounted for using the equity method.

The carrying amount of the investment in a joint venture is increased or decreased to recognise the Company's share of the profit or loss and other comprehensive income of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Company and its joint venture are eliminated to the extent of the Company's interest in the entity. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

4 Summary of significant accounting policies (continued)

4.8 Investment in joint arrangements (continued)

Joint Operation

A joint operator shall recognise in relation to its interest in a joint operation:

(a) its assets, including its share of any assets held jointly;

(b) its liabilities, including its share of any liabilities incurred jointly;

(c) its revenue from the sale of its share of the output arising from the joint operation;

(d) its share of the revenue from the sale of the output by the joint operation; and

(e) its expenses, including its share of any expenses incurred jointly.

A joint operator shall account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

4.9 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
• Leasehold improvements	5 years
• Furniture and fixtures	5 years
• Vehicles	5 years
• Computers and office equipment	5 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.

4 Summary of significant accounting policies (continued)

4.9 Property and equipment (continued)

Leasehold improvements are measured at cost less accumulated depreciation.

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.

4.10 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 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 statement of financial position to the extent of the recoverable amount.

4.11 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.

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.

4 Summary of significant accounting policies (continued)

4.12 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 described below:

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, other financial assets, 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 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.

4 Summary of significant accounting policies (continued)

4.12 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').;
- '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, 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 statement of comprehensive income are included within 'finance costs - net'.

4 Summary of significant accounting policies (continued)

4.12 Financial instruments (continued)

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.

4.13 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.

4.14 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 Summary of significant accounting policies (continued)

4.15 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.

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 Summary of significant accounting policies (continued)

4.16 Share capital and reserves

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

Shareholder's capital contribution represents additional capital contributed by the Shareholder which is not subject to withdrawal in foreseeable future.

Statutory reserve is required to be created by UAE Federal Law No. (2) of 2015, as amended, as described in note 17.

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

Retained earnings include all current and prior year profits and losses.

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

4.17 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.

4 Summary of significant accounting policies (continued)

4.17 Revenue recognition (continued)

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.

Service revenue

Revenue from rendering of services is recognized on the basis of services rendered and represents the invoice value of services provided.

4.18 Direct costs

Direct costs include cost of land, development costs, material costs 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.

4.19 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 Summary of significant accounting policies (continued)

4.20 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.

4.21 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.

4 Summary of significant accounting policies (continued)

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

Impairment of financial assets (continued)

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.

4 Summary of significant accounting policies (continued)

4.21 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.

4.22 Estimation uncertainty

Determination and measurement of useful lives of property and equipment

The Group estimates the useful lives of its property and equipment 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 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 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 inventory 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.

Provision for infrastructure costs

Provision for infrastructure costs represents costs to be incurred towards infrastructure development at the area where the Group's investment properties are located. The provision is based on the best estimate of the probable cost towards the infrastructure development by the engineers of the Group.

4 Summary of significant accounting policies (continued)

4.22 Estimation uncertainty (continued)

Fair value of investment properties

Investment property is stated at fair value as at the end of the reporting period. Gain or losses arising from changes in the fair values are included in the profit or loss 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 assets. 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.

Useful lives of property and equipment and intangible assets

Management estimates the useful lives of property and equipment and intangible assets based on the expected utility of these assets to the Group, and these are reviewed at each reporting date. For property and equipment, actual results however, may vary due to physical wear and tear and technical obsolescence. For intangible assets, actual results, however, may vary due to additional or new information obtained from further research and development.

5 Property and equipment

	Buildings	Leasehold improvements	Furniture and fixtures	Vehicles	Computers and office equipment	Other assets	Capital work in progress	Total
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
2021								
Cost								
Balance at January 1, 2021	38,402	5,006	1,526	8,599	15,055	3,458	3,648	75,694
Additions	9,264	2,532	-	-	-	-	4,198	15,994
Transferred from properties under development (note 9)	4,503	-	-	-	-	-	-	4,503
Reclassification	7,273	-	-	-	-	-	(7,273)	-
Balance at December 31, 2021	59,442	7,538	1,526	8,599	15,055	3,458	573	96,191
Accumulated depreciation								
Balance at January 1, 2021	4,064	1,326	1,464	5,911	10,652	3,458	-	26,875
Charge for the year	9,409	1,646	54	1,058	533	-	-	12,700
Balance at December 31, 2021	13,473	2,972	1,518	6,969	11,185	3,458	-	39,575
Carrying amounts at December 31, 2021	**45,969**	**4,566**	**8**	**1,630**	**3,870**	-	**573**	**56,616**

5 Property and equipment (continued)

	Buildings	Leasehold improvements	Furniture and fixtures	Vehicles	Computers and office equipment	Other assets	Capital work in progress	Total
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
2020								
Cost								
Balance at January 1, 2020	20,507	87,509	6,463	10,891	15,073	3,139	187,829	331,411
Additions	-	-	-	52	-	319	3,618	3,989
Reclassification	38,402	-	-	-	-	-	(38,402)	-
Disposals	-	-	-	(1,057)	-	-	-	(1,057)
On transfer of subsidiaries (note 33.1)	(20,507)	(82,503)	(4,937)	(1,287)	(18)	-	(149,397)	(258,649)
Balance at December 31, 2020	38,402	5,006	1,526	8,599	15,055	3,458	3,648	75,694
Accumulated depreciation								
Balance at January 1, 2020	17,620	8,279	5,087	6,069	10,654	2,522	-	50,231
Charge for the year	4,064	43	63	1,331	-	936	-	6,437
Disposals	-	-	-	(1,050)	-	-	-	(1,050)
On transfer of subsidiaries (note 33.1)	(17,620)	(6,996)	(3,686)	(439)	(2)	-	-	(28,743)
Balance at December 31, 2020	4,064	1,326	1,464	5,911	10,652	3,458	-	26,875
Carrying amounts at December 31, 2020	34,338	3,680	62	2,688	4,403	-	3,648	48,819

6 Intangible assets

Computer software	2021	2020
	AED '000	AED '000
Cost		
Balance at January 1,	4,922	6,249
Additions	277	258
On transfer of subsidiaries (note 33.1)	-	(787)
Disposals	-	(798)
Balance at December 31,	5,199	4,922
Accumulated amortization		
Balance at January 1,	3,052	3,298
On transfer of subsidiaries (note 33.1)	-	(732)
Charge for the year	686	486
Balance at December 31,	3,738	3,052
	1,461	1,870

7 Investment in joint arrangements

7.1 Investment in joint operation

On January 1, 2020, the Company transferred its investment in SCAP and its interests in joint arrangements to the Shareholder at its net book value (refer note 33.1).

7.2 Investment in joint venture

The carrying amount of investment in a joint venture recognised in the consolidated statement of financial position can be analysed as follows:

	2021	2020
	AED '000	AED '000
Balance at January 1,	-	61,948
On transfer of subsidiaries (note 33.1)	-	(61,948)
Share of loss from joint venture	-	-
Balance at December 31,	-	-

Name of joint venture	Country of incorporation and operation	Principal activity	Proportion of ownership interests held by the Company 2021	2020
MS Construction L.L.C – FZ	UAE	Contracting, installation and maintenance works	-	-

8 Investment properties

	2021	2020
	AED '000	AED '000
Balance at January 1,	3,494,085	2,041,951
Transferred from Shareholder (note 33.1)	-	1,425,000
Fair value gain	50,507	27,134
Transferred to properties under development (note 9)	(832,394)	-
	2,712,198	3,494,085

Particulars	Location	2021 AED '000	2020 AED '000
Land	Plots at Hartland Project, Mohammed Bin Rashid Al Maktoum City, Godolphin River City, Dubai, UAE	1,081,260	1,911,404
Land	19 million square feet of land located in Hadaeq Sheikh Mohammed Bin Rashid Community*	1,474,084	1,425,000
Building	7 units of commercial space in 'Sobha Sapphire' – Business Bay, Dubai, UAE	24,847	24,847
Land	Plot No HO3, Al Merkadh Dubai	132,007	132,834
		2,712,198	3,494,085

*During the prior year, 19 million square feet of land located in Hadaeq Sheikh Mohammed Bin Rashid Community has been transferred to the Group by the Shareholder at its estimated fair value.

Note 4.22 sets out the method used for the determination of the fair value of the investment properties. Certain plots of land and building have been pledged as security for the Group's borrowings (see note 22).

9 Properties under development

	2021	2020
	AED '000	AED '000
Properties under development	1,539,204	1,963,457

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

	2021	2020
	AED '000	AED '000
Balance at January 1,	1,963,457	5,635,991
Transferred from investment properties (note 9)	832,394	-
Additions during the year	880,993	635,078
Transferred to property and equipment (note 5)	(4,503)	-
Transferred from a related party	-	70,000
Finance costs previously capitalized*	-	(246,901)
On transfer of subsidiaries (note 33.1)	-	(3,465,600)
Transferred to direct costs – net	(2,133,137)	(665,111)
Balance at December 31,	1,539,204	1,963,457
Less: Non-current portion	(317,069)	(293,926)
Current portion	1,222,135	1,669,531

Properties under development represents land, development cost of villas, apartments and infrastructure being developed within the District One and Sobha Hartland project, located at Mohammed Bin Rashid Al Maktoum City, Dubai, UAE.

Additions to properties under development includes capitalised borrowing costs amounting to AED 96 million (2020: AED 102 million).

*Represents finance costs capitalized previously and adjusted pursuant to the transfer of subsidiaries to the Shareholder.

10 Properties held for sale

	2021	2020
	AED '000	AED '000
Opening balance	-	5,074
On transfer of subsidiaries (note 33.1)	-	(5,074)
Closing balance	-	-

11 Financial asset

	2021	2020
	AED '000	AED '000
Equity instruments at FVOCI (quoted equity securities)	**2,033,883**	961,037

Movement in the financial assets is as follows:

	2021	2020
	AED '000	AED '000
Opening balance	**961,037**	951,738
Change in fair value	**1,092,066**	31,637
Foreign exchange loss	**(19,220)**	(22,338)
Closing balance	**2,033,883**	961,037

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% (2020: 48.58%) of the total equity shares in the investee amounting to AED 2.03 billion (2020: AED 961 million). The fair value of the equity instruments is determined with reference to published price quoted in the active market.

12 Trade and other receivables

	2021	2020
	AED '000	AED '000
Financial assets		
Trade receivables	**3,233,882**	1,530,415
Deposits	**6,007**	1,934
Staff advances	**-**	52
Other receivables	**1,893**	4,354
	3,241,782	1,536,755
Non-financial assets		
Prepayments	**13,360**	13,896
Advance to suppliers	**20,049**	22,820
Advances**	**21,728**	-
VAT receivable	**12,890**	18,838
Deferred expenses*	**84,787**	37,359
	152,814	92,913
	3,394,596	1,629,668

*This represents commission paid to third party brokers. The future benefits relating to the sales commission will flow to the Group over the period, in proportion to the recognition of revenue.

**Advances represent AED 21,727,782 paid to certain minority shareholders of Sobha Lifestyle City Limited, a subsidiary, in relation to the purchase of 103,466 shares in Sobha Lifestyle City Limited, which will be transferred to the Company upon completion of the necessary legal process.

13 Other financial assets

	2021	2020
	AED '000	AED '000
Deposits - current	**47,595**	108,899

The deposits are under lien against the borrowings obtained (note 22).

14 Cash and cash equivalents

	2021	2020
	AED '000	AED '000
Cash on hand	**24,624**	7,179
Cash at banks		
- in escrow account*	**210,653**	28,832
- in current account	**1,760**	26,934
	212,413	55,766
Cash and cash equivalents	**237,037**	62,945

*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 22).

15 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.

	2021	2020
	AED '000	AED '000
Associated undertakings		
Sobha Engineering and Contracting LLC	-	73,961
Hanox Fashion Retail LLC	-	20,375
Sobha Interiors LLC	-	13,821
Sobha Real Estate UK Ltd	-	9,228
Safnon Italia Industries L.L.C	-	5,817
Sobha Woodworking and Joinery L.L.C	-	5,565
Sunrise Real Estate L.L.C.	-	5,400
Sobha Developers Limited, BVI	-	2,627
Other related parties	-	13,103
	-	149,897

	2021	2020
	AED' 000	AED' 000
Due to related parties		
Associated undertakings		
Sobha Hartland Contracting L.L.C	231,617	226,696
Latinem Facilities Management LLC	11,409	-
PNC Architects	10,049	11,456
Meydan Group L.L.C	-	36,192
Other related parties	167	13,571
	253,242	287,915

Key management personnel compensation

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

	2021	2020
	AED '000	AED '000
Salaries and benefits	36,569	35,716

15 Related parties (continued)

Transactions with related parties

Significant transactions carried out with related parties are as follows:

	2021	2020
	AED '000	AED '000
Construction and development expenses for properties under development	689,263	400,669
Project design and supervision fee charged by a related party	36,240	14,424
Administration and management fee (note 27)	7,598	11,478
Transfer of property under development from a related party (note 9)	-	70,000
Dividends (note 16)	-	2,147,581
Net asset transferred on transfer of subsidiaries (note 33.1)	-	3,064,662

16 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.

	2021	2020
	AED '000	AED '000
Authorised, issued and fully paid-up share capital (300 shares)	300	300

The shareholding is as follows:

		2021			2020	
	%	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	26%	78	78	26%	78	78
Mrs. Bindu PNC Menon	21%	63	63	21%	63	63
	100%	300	300	100%	300	300

During the prior year, by virtue of Board resolutions, the Company declared dividends amounting to AED 2,147,581,121.

17 Statutory reserve

In accordance with the Articles of Association of the Company and Article 103 of the Federal Law No. (2) of 2015, as amended, a minimum of 10% 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.

18 Shareholders' account

	2021	2020
	AED '000	AED '000
Mr. Puthan N C Menon	**132,529**	135,059
Mrs. Sobha Menon Raghavan Nair*	**849,537**	849,537
Mrs. Bindu PNC Menon*	**17,121**	14,602
	999,187	999,198

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

19 Non-controlling interest (NCI)

	2021	2020
	AED '000	AED '000
Sobha Lifestyle City Limited (a)	**723,683**	726,802

(a) This represents 42.33% (2020: 42.33%) 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
2021	**AED '000**
Balance at January 1,	**726,802**
Share of loss for the year	**(3,119)**
Balance at December 31,	**723,683**
2020	
Balance at January 1,	699,825
Increase in investment in subsidiary	(11,814)
Share of profit for the year	38,791
Balance at December 31,	726,802

19 Non-controlling interest (continued)

19.1 Subsidiaries with material non-controlling interests

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

Name	Proportion of ownership interests held by the NCI Dec 31, 2021	Proportion of ownership interests held by the NCI Dec 31, 2020	(Loss)/profit allocated to NCI Dec 31, 2021	(Loss)/profit allocated to NCI Dec 31, 2020	Principal activity and principal place of business
			AED '000	AED '000	
Sobha Lifestyle City Limited	**42.33%**	42.33%	**(3,119)**	38,791	Investment in land and properties approved by JAFZA or any other free hold property in the United Arab Emirates

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

	Sobha Lifestyle City Limited 2021	Sobha Lifestyle City Limited 2020
	AED '000	AED '000
Non-current	**1,081,260**	1,911,405
Current assets	**1,235,745**	367,916
Total assets	**2,317,005**	2,279,321
Non-current	-	-
Current liabilities	**607,332**	562,278
Total liabilities	**607,332**	562,278
Equity attributable to owners of the Company	**985,990**	990,241
Non-controlling interests	**723,683**	726,802

19 Non-controlling interest (continued)

19.1 Subsidiaries with material non-controlling interests (continued)

	Sobha Lifestyle City Limited	
	2021	2020
	AED '000	AED '000
Revenue	-	-
(Loss)/profit for the year attributable to owners of the Company	(4,250)	52,852
(Loss)/profit for the year attributable to NCI	(3,119)	38,791
Net (loss)/profit for the year	(7,369)	91,643
Net cash used in operating activities	(8)	-
Net cash from investing activities	-	-
Net cash from in financing activities	-	-
Net cash outflow	(8)	-

19 Non-controlling interest (continued)

19.1 Subsidiaries with material non-controlling interests (continued)

On January 1, 2020, the Company purchased 19,625 shares in Sobha Lifestyle City Limited representing an additional 0.73% investment, for a consideration of AED 3,674,000. The increase of investment in the subsidiary was affected as follows:

	Sobha Lifestyle City Limited
	2020
	AED '000
Cash consideration paid to non-controlling shareholders	3,674
Carrying value of the additional interests acquired	(11,814)
Recognised in retained earnings	(8,140)

20 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:

	2021 AED '000	2020 AED '000
Balance at January 1,	**449,636**	440,337
Fair value gain on financial assets (note 11)	**1,092,066**	31,637
Foreign exchange loss on financial assets (note 11)	**(19,220)**	(22,338)
Balance at December 31,	**1,522,482**	449,636

21 Employees' end of service benefits

	2021 AED '000	2020 AED '000
Balance at January 1,	**7,837**	7,069
Charge for the year	**2,729**	2,768
On transfer of subsidiaries (note 33.1)	**-**	(815)
Payments made during the year	**(235)**	(1,185)
Balance at December 31,	**10,331**	7,837

22 Borrowings

	2021			2020		
	Current AED '000	Non-current AED '000	Total AED '000	Current AED '000	Non-current AED '000	Total AED '000
Term finance	**206,433**	**1,778,114**	**1,984,547**	1,522,819	696,791	2,219,610
Ijarah finance	**91,625**	**91,350**	**182,975**	17,898	37,123	55,021
Foreign currency loan	**81,162**	**207,106**	**288,268**	313,061	-	313,061
Mortgage loan	**-**	**-**	**-**	7,406	19,274	26,680
	379,220	**2,076,570**	**2,455,790**	1,861,184	753,188	2,614,372

The movement in borrowings is as follows:

	2021 AED '000	2020 AED '000
Balance at January 1,	**2,614,372**	3,010,545
Additions during the year	**21,960**	1,413,712
On transfer of subsidiaries (note 33.1)	**-**	(91,573)
Repaid by the Shareholder on behalf of the Group (note 33.1)	**-**	(908,000)
Interest expense on borrowings (note 29)	**145,977**	186,054
Repayments during the year	**(326,519)**	(996,366)
Balance at December 31,	**2,455,790**	2,614,372

22 Borrowings (continued)

Bank loans

Bank loans represents Term finance, Mortgage loan, Ijarah finance, Foreign currency loan obtained from financial institutions.

1) Ijarah Finance:

During the year 2015, the Group had obtained a loan of AED 105 million which is repayable in 16 quarterly instalments with a moratorium of 1 year. The loan carries interest at market rate.

During the year 2017, the Group had obtained a loan of AED 1,650 million which is repayable in 3 years and carries variable interest at market. The loan proceeds were used to repay the syndicated term loan taken earlier from another financial institution. During the year 2020, this loan was fully repaid by the Shareholder on behalf of the Group.

During the year 2019, the Group obtained a loan of AED 60 million which is repayable in 16 quarterly instalments. The loan carries interest at the prevailing market rates.

2) Term Finance:

During the year 2014, the Company had obtained a term finance facility from a financial institution amounting to AED 500 million. The term finance facility carries variable profit rate at prevailing market rates. The facility is a for a period of 5 years.

During the year 2017, the Group had obtained a term finance amounting to AED 2.967 million against sanctioned amount of AED 3 million. The loan was to be repaid over 48 monthly instalments. The loan carried variable market-based interest rate. During the year, the outstanding balance in relation to the term finance was fully paid.

During the year 2018, the Group obtained a term of loan facility from a financial institution amounting to AED 140 million. The term finance facility carries variable interest rate at the prevailing market rates. The facility is for a period of 5 years.

During the year 2018, the Group obtained a term of loan facility from a financial institution amounting to AED 50 million. The term finance facility carries variable interest rate at the prevailing market rates. The facility is for a period of 4 years.

During the year 2018, the Group obtained a term loan from a financial institution amounting to AED 225 million against a total sanctioned amount of AED 354 million. The loan is to be repaid in four quarterly instalments. During the prior year, the Group received an additional AED 86 million against the total facility amount. During the year, the Group received an additional AED 21.96 million against the total facility amount. Tranches of the loan have applicable payment moratorium ranging from 5 – 11 quarters from the date of tranche disbursement.

22 Borrowings (continued)

Bank loans (continued)

2) Term Finance (continued):

During the year 2020, the Company obtained a term loan 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.

Repayments due within twelve months from the date of the consolidated statement of financial position as per the provisions of the term finance facility, are classified as current liabilities.

3) Foreign Currency Loan

During the year 2017, the Group obtained a foreign currency loan 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 lending institution. The loan tenor is 7 years from date of initial disbursement and carries interest at the prevailing market rates and is payable semi-annually. Repayment will commence after a moratorium period of 4 years from the date of the agreement amendment.

Repayments due within twelve months from the date of the consolidated statement of financial position as per the provisions of the Foreign Currency Term Loan agreement, are classified as current liabilities.

4) Mortgage loan

During the year 2017, the Group had obtained a mortgage loan from a financial institution amounting to AED 15 million. The loan is repayable over a period 10 years.

During the prior year, the Group obtained a mortgage loan from a financial institution amounting to AED 17 million at prevailing market rates. The loan is repayable over a period of 10 years.

During the year, the outstanding balance in relation to the above mortgage loans were fully repaid by the Group.

The above borrowing facilities are secured by way of:

- Corporate Guarantee from P N C Investments L.L.C, Sobha L.L.C, Hanox Fashion Retail 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;
- Irrevocable assignment of dividends receivable from District One Project Phase 1 & 2;
- 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, Mrs. Sobha Menon Raghavan Nair and Mrs. Bindu PNC Menon, along with the personal net-worth statements, covering the total facilities;

22 Borrowings (continued)

Bank loans (continued)

- 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 are of "Sobha Hartland" project.
- First and exclusive charge on receivables deposited/to be deposited in Escrow Accounts from sold and unsold inventory of Phase 3 G+12 apartment are of project "Sobha Hartland";
- Corporate guarantee of P N C Investment L.L.C;
- PDC for one Interest instalment and principal amount on term loans before disbursement.
- Personal guarantees of Mr. Puthan N C Menon, Mrs. Sobha Menon Raghavan Nair and Mrs. Bindu PNC Menon, along with the personal Net-worth statements, covering the total facilities; and
- 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.

23 Finance lease liabilities

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

	2021		2020	
	Current AED '000	**Non-current AED '000**	Current AED '000	Non-current AED '000
Finance lease liabilities	**779**	**45**	2,082	903

The movement in the finance lease liabilities is as follows:

	2021 AED	2020 AED
Balance at January 1,	**2,985**	66,430
On transfer of subsidiaries (note 33.1)	**-**	(61,300)
Finance cost (note 29)	**258**	244
Repayments	**(2,419)**	(2,389)
Balance at December 31,	**824**	2,985

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 under review were as follows:

	Minimum lease payments due		
December 31, 2021	**Within 1 year AED '000**	**More than 1 year AED '000**	**Total AED '000**
Lease payments	**873**	**51**	**924**
Finance charges	**(94)**	**(6)**	**(100)**
Net present value	**779**	**45**	**824**
December 31, 2020			
Lease payments	2,157	925	3,082
Finance charges	(75)	(22)	(97)
Net present value	2,082	903	2,985

24 Trade and other payables

	2021 AED '000	2020 AED '000
Financial liabilities		
Trade payables	**105,601**	35,270
Provision for infrastructure cost (note 24.1)	-	-
Provision for leave pay and air tickets	**7,221**	5,454
Staff advances and payables	**276**	101
Accruals	**108,990**	41,936
Others	**151**	165
	222,239	82,926
Non-financial liabilities		
Advance from customers*	**42,294**	34,337
Excess billings	**14,341**	55,264
	56,635	89,601
Less Non-current trade and other payables	-	-
	278,874	172,527

*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.

24.1 Provision for infrastructure costs

Movement of provision for infrastructure cost during the year is as follows:

	2021 AED '000	2020 AED '000
Opening balance	-	115,930
Reversals during the year* (note 30)	-	(115,930)
Closing balance	-	-

*Provision for infrastructure costs represents costs to be incurred towards infrastructure where the Company's investment properties are located. The provision is based on the best estimate of the probable cost towards the infrastructure development by the engineers of the Group. During the prior year, pursuant to the completion of the properties developed by the Group and in view of the revised estimation of the provision for infrastructure costs, management resolved to reverse the excess provision for infrastructure costs as detailed above.

25 Revenue

	2021	2020
	AED '000	AED '000
Revenue from sale of apartments and villas	3,180,475	1,125,422
Less: units cancelled during the year*	(17,992)	(112,782)
Revenue from security services	3,467	1,072
	3,165,950	1,013,712

*As a result of customer defaults, sales and purchase agreements with customers for 9 units (2020: 30 units) have been cancelled and the Group has reinstated these units.

26 Direct costs

	2021	2020
	AED '000	AED '000
Development cost of villas and properties	2,144,077	730,726
Less: cost of units cancelled during the year	(10,940)	(65,605)
Other direct costs	2,665	985
	2,135,802	666,106

27 Administrative and general expenses

	2021	2020
	AED '000	AED '000
Salaries and other benefits	93,179	65,707
Commission expense	37,044	11,389
Repairs and maintenance	7,834	1,037
Administration and management fee* (note 15)	7,598	11,478
Rent	1,184	1,175
Consulting expense	805	-
Legal and professional	553	2,476
Other	10,488	8,787
	158,685	102,049

*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.

28 Selling and marketing expenses

	2021	2020
	AED '000	AED '000
Commission expense	155,002	38,422
Advertisement and marketing	56,231	32,008
Business promotion	40,726	13,949
	251,959	84,379

29 Finance costs - net

	2021 AED '000	2020 AED '000
Interest on borrowings (note 22)	**145,977**	186,054
Interest capitalised to properties under development (note 9)	**(96,274)**	(101,688)
Net interest on borrowings	**49,703**	84,366
Interest on finance lease (note 23)	**258**	244
Loan processing charges	**9,867**	5,915
	59,828	90,525

30 Other income

	2021 AED '000	2020 AED '000
Income from terminated units*	**18,856**	5,004
Reversal of provision for infrastructure costs (note 24.1)	**-**	115,930
Other	**-**	36
	18,856	120,970

*This represents the customers' advances forfeited due to defaults by the customers on payment terms and conditions as per the respective sales agreement following approval of Real Estate Regulatory Authority (RERA). The Group cancelled the sales purchase agreement with various customers, and they have forfeited their advances as at the respective reporting date.

31 Contingent liabilities and capital commitments

	2021 AED '000	2020 AED '000
Capital commitments*	**2,467,571**	681,453
Guarantee cheques**	**37,605**	37,605
Letter of guarantee	**1,989**	1,989

*Capital commitments represent commitments for properties under development.

**Guarantee cheques represents guarantee given to Meraas Estates LLC towards purchase of land commitment.

32 Cash flow adjustments and changes in working capital

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

		2021	2020
		AED '000	AED '000
Adjustments for:			
Depreciation and amortisation	5,6	**13,386**	6,923
Gain on fair value of investment properties	8	**(50,507)**	(27,134)
Net interest expense on borrowings	29	**49,703**	84,366
Interest expense on finance lease liabilities	29	**258**	244
Provision for employees' end of service benefits	21	**2,729**	2,768
Reversal of provision	24.1	**-**	(115,930)
		15,569	(48,763)
Net changes in working capital:			
Trade and other receivables		**(1,743,200)**	20,720
Other financial assets		**61,304**	(106,125)
Due from related parties		**149,897**	(574,579)
Due to related parties		**(34,673)**	(63,982)
Trade and other payables		**106,347**	(304,963)
Movement in properties under development		**1,348,418**	131,721
		(111,907)	(897,208)

33 Transfer of subsidiaries

33.1 Transfer of subsidiaries to the Shareholder

On January 1, 2020, the Company transferred its equity interests in the following subsidiaries to the Shareholder, at their net book values:

- Sobha Capital L.L.C ("SCAP").
- PNC Education Investments Ltd and its subsidiaries ("PEIL").

The summarized aggregate financial information on net assets transferred to related parties are as follows:

	SCAP	PEIL	TOTAL
	January 1, 2020	January 1, 2020	January 1, 2020
	AED '000	AED '000	AED '000
ASSETS			
Property and equipment (note 5)	4,927	224,980	229,907
Intangible assets (note 6)	55	-	55
Investment in joint venture (note 7.2)	61,948	-	61,948
Properties held for sale (note 10)	5,074	-	5,074
Properties under development (note 9)	3,465,600	-	3,465,600
Trade and other receivables	557,495	9,021	566,516
Due from related parties	369,101	-	369,101
Cash and cash equivalents	311,991	1,305	313,296
	4,776,191	235,306	5,011,497
LIABILITIES			
Employees' end of service benefits (note 21)	815	-	815
Finance lease liabilities (note 23)	-	61,300	61,300
Borrowings (note 22)	-	91,573	91,573
Trade and other payables	243,227	64,337	307,564
Due to related parties	204,595	-	204,595
	448,637	217,210	665,847
NET ASSETS	4,327,554	18,096	4,345,650
Adjustments:			
Amounts due to the Company	(1,226,995)	-	(1,226,995)
Capital contribution	(53,993)	-	(53,993)
NET ASSETS TRANSFERRED	3,046,566	18,096	3,064,662
CONSIDERATION ON TRANSFER	3,046,566	18,096	3,064,662

33 Transfer of subsidiaries (continued)

33.1 Transfer of subsidiaries to the Shareholder (continued)

The Company transferred its holding in SCAP and PEIL to the Shareholder at the net book values of the subsidiaries amounting to AED 3,064,661,744. The Shareholder transferred a land parcel located in Hadaeq Sheikh Mohammed Bin Rashid Community to the Company at its fair value of AED 1,425,000,000 (note 8) and repaid borrowings amounting to AED 908,000,000 on behalf of the Group (note 22). The remaining amount due from the Shareholder was adjusted by way of a distribution (note 16).

34 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 Directors; 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 are described below.

34.1 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.

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:

	2021	2020
	AED '000	AED '000
Financial assets at FVOCI (note 11)	**2,033,883**	961,037

34 Financial instruments risk (continued)

34.1 Market risk (continued)

The following table details the Group sensitivity to a +/- 5% (2020: +/- 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, 2021	**(101,694)**	**101,694**	**(101,694)**	**101,694**
December 31, 2020	(48,052)	48,052	(48,052)	48,052

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% (2020: +/- 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 period, 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, 2021	**(24,558)**	**24,558**	**(24,558)**	**24,558**
December 31, 2020	(26,144)	26,144	(26,144)	26,144

34 Financial instruments risk (continued)

34.1 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% (2020: +/- 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, 2021	**101,694**	**(101,694)**	**101,694**	**(101,694)**
December 31, 2020	48,052	(48,052)	48,052	(48,052)

34 Financial instruments risk (continued)

34.2 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	2021 **AED '000**	2020 AED '000
Trade and other receivables	12	**3,241,782**	1,536,755
Cash at banks	14	**212,413**	55,766
Due from related parties	15	**-**	149,897
Other financial assets	13	**47,595**	108,899
		3,501,790	1,851,317

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.

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

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.

34 Financial instruments risk (continued)

34.3 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 are summarised below:

	Within 1 year	More than 1 year	Total
December 31, 2021	**AED '000**	**AED '000**	**AED '000**
Borrowings (note 22)	**379,220**	**2,076,570**	**2,455,790**
Due to related parties (note 15)	**253,242**	**-**	**253,242**
Trade and other payables (note 24)	**222,239**	**-**	**222,239**
Finance lease liabilities (note 23)	**873**	**51**	**924**
Total	**855,574**	**2,076,621**	**2,932,195**
December 31, 2020			
Borrowings (note 22)	1,861,184	753,188	2,614,372
Due to related parties (note 15)	287,915	-	287,915
Trade and other payables (note 24)	82,926	-	82,926
Finance lease liabilities (note 23)	2,157	925	3,082
Total	2,234,182	754,113	2,988,295

35 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).

35 Fair value measurement (continued)

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
December 31, 2021					
Investment properties	(i)	-	-	**2,712,198**	**2,712,198**
Financial assets	(ii)	**2,033,883**	-	-	**2,033,883**
December 31, 2020					
Investment properties	(i)	-	-	3,494,085	3,494,085
Financial assets	(iii)	961,037	-	-	961,037

(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 assets

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.

36 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:

	2021	2020
	AED '000	AED '000
Equity attributable to the owners of the Company	**6,299,846**	4,608,239
Cash and cash equivalents	**237,037**	62,945

37 Comparative figures

Certain comparative figures have been reclassified in order to conform to the current year's presentation.

38 Subsequent event

On January 31, 2022, the UAE Ministry of Finance announced the introduction of a 9% Federal Corporate Tax rate effective for fiscal years commencing on or after June 1, 2023. There is no impact of this announcement on the consolidated financial statements of the Group for the year ended December 31, 2021. Management will assess the implications of this Federal Corporate Tax in due course.

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