Annex 4

ROADS AND TRANSPORT AUTHORITY - Salik Tolling Business

Carve-out financial statements of the Salik Tolling Business

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 and 2019

ROADS AND TRANSPORT AUTHORITY - Salik Tolling Business

Carve-out financial statements of the Salik Tolling Business
For the years ended 31 December 2021, 2020 and 2019

Independent auditor's report to the directors of Roads and Transport Authority - Salik Tolling Business

Report on the audit of the carve-out financial statements

Our opinion

In our opinion, the carve-out financial statements present fairly, in all material respects, the financial position of Roads and Transport Authority (RTA) - Salik Tolling Business ("Salik") as at 31 December 2021, 2020, 2019 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

What we have audited

The Salik's carve-out financial statements comprise:

- the carve-out statement of financial position as at 31 December 2021, 2020, 2019;
- the carve-out statement of profit and comprehensive income for the years then ended;
- the carve-out statement of changes in equity for the years then ended;
- the carve-out statement of cash flows for the years then ended; and
- the notes to the carve-out financial statements, which include significant accounting policies and other explanatory information.

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 carve-out financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Salik in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the carve-out financial statements in the United Arab Emirates. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

Emphasis of matter – basis of accounting

We draw attention to the fact that, as described in Note 1 to the carve-out financial statements, Salik has not operated as a separate entity. These carve-out financial statements are, therefore, not necessarily indicative of results that would have occurred if Salik had been a separate stand alone entity during the years presented or of future results of Salik.

The carve-out financial statements are prepared by the management of Roads and Transport Authority in connection with the listing of Salik on the Dubai Financial Market in the United Arab Emirates. As a result, the carve-out financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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Jacques Fakhoury, Douglas O'Mahony, Murad Alnsour and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy

Independent auditor's report to the directors of Roads and Transport Authority - Salik Tolling Business (continued)

Responsibilities of management and those charged with governance for the carve-out financial statements

Management is responsible for the preparation and fair presentation of the carve-out financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the carve-out financial statements, management is responsible for assessing Salik'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 Salik or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the carve-out financial statements

Our objectives are to obtain reasonable assurance about whether the carve-out 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 carve-out financial statements.

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

- Identify and assess the risks of material misstatement of the carve-out 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 Salik'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 Salik'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 carve-out 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 Salik to cease to continue as a going concern.

Auditor's responsibilities for the audit of the carve-out financial statements (continued)

- Evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

PricewaterhouseCoopers
24 June 2022

Murad Alnsour
Registered Auditor Number 1301
Dubai, United Arab Emirates

CARVE-OUT STATEMENT OF PROFIT AND COMPREHENSIVE INCOME

For the years ended 31 December 2021, 2020, 2019

	Notes	***2021 AED'000***	*2020 AED'000*	*2019 AED'000*
Revenue	6	1,693,207	1,388,684	1,975,260
Cost of tags and recharge cards	7	(21,766)	(14,916)	(16,399)
Toll operation and maintenance expense	8	(85,859)	(81,661)	(85,253)
Employee benefits expense	9	(9,551)	(12,173)	(11,666)
Depreciation expense	11	(6,000)	(6,304)	(6,629)
Other expense	10	(40,129)	(33,567)	(42,339)
Corporate allocation expense	15	(113,076)	(92,873)	(102,439)
Loss on property and equipment disposal	11	-	(4,747)	-
Software enhancement expense	12	(9,972)	(12,461)	(14,014)
Impairment loss on receivables	14	(26,279)	(25,170)	(49,913)
PROFIT FOR THE YEAR		1,380,575	1,104,812	1,646,608
OTHER COMPREHENSIVE INCOME		-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,380,575	1,104,812	1,646,608

The attached notes 1 to 23 form part of these carve-out financial statements.

CARVE-OUT STATEMENT OF FINANCIAL POSITION
As at 31 December 2021, 2020, 2019

	Notes	***31-Dec 2021 AED'000***	*31-Dec 2020 AED'000*	*31-Dec 2019 AED'000*	*1-Jan 2019 AED'000*
ASSETS					
Non-current assets					
Property and equipment	11	107,337	112,128	120,536	125,822
		107,337	112,128	120,536	125,822
Current assets					
Inventories	13	16,044	19,528	8,632	17,064
Trade and other receivables	14	158,520	94,113	153,626	157,240
Advance to supplier		33,416	14,857	25,144	34,416
		207,980	128,498	187,402	208,720
TOTAL ASSETS		315,317	240,626	307,938	334,542
LIABILITIES					
Non-current liabilities					
Employees' end of service benefits	16	2,377	2,114	1,832	1,603
Contract liabilities	18	36,723	32,461	36,764	37,780
		39,100	34,575	38,596	39,383
Current liabilities					
Trade and other payables	17	9,452	106,989	66,810	20,555
Employee benefits		222	240	151	121
Contract liabilities	18	276,623	256,738	285,913	283,606
		286,297	363,967	352,874	304,282
TOTAL LIABILITIES		325,397	398,542	391,470	343,665
Net Parent Investment					
Accumulated net contributions from Parent		(10,080)	(157,916)	(83,532)	(9,123)
		(10,080)	(157,916)	(83,532)	(9,123)
TOTAL LIABILITIES AND NET PARENT INVESTMENT		315,317	240,626	307,938	334,542

These financial statements were approved by the Board of Directors of Roads and Transport Authority on 24 June 2022 and signed on its behalf by:

....	....
Director General – Chairman of the Board of Executive Directors	CEO – Corporate Administrative Support Services

The attached notes 1 to 23 form part of these carve-out financial statements.

CARVE-OUT STATEMENT OF CASH FLOWS

For the years ended 31 December 2021, 2020, 2019

	2021 AED'000	*2020 AED'000*	*2019 AED'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year	1,380,575	1,104,812	1,646,608
Adjustments for:			
Depreciation of property and equipment	6,000	6,304	6,629
Loss on property and equipment disposal	-	4,782	-
Provision for employees' end-of-service benefits, net	245	372	259
Provision for impairment losses on trade receivables	26,279	25,170	49,913
Operating cash flows before movements in working capital:			
(Increase)/decrease in trade and other receivables	(90,686)	34,343	(46,299)
Decrease/(increase) in inventories	3,484	(10,896)	8,432
(Increase)/decrease in advance to supplier	(18,559)	10,287	9,272
(Decrease)/increase in trade and other payables	(97,537)	40,179	46,255
Increase/(decrease) in contract liabilities	24,147	(33,478)	1,291
Net cash flows from operating activities	1,233,948	1,181,875	1,722,360
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(1,209)	(2,853)	(1,343)
Proceeds from the sale of property and equipment	-	174	-
Net cash used in investing activities	(1,209)	(2,679)	(1,343)
CASH FLOWS FROM FINANCING ACTIVITY			
Net distributions to Parent	(1,232,739)	(1,179,196)	(1,721,017)
Net cash used in financing activity	(1,232,739)	(1,179,196)	(1,721,017)
Cash, beginning of the year	-	-	-
CASH, END OF THE YEAR	-	-	-

The attached notes 1 to 23 form part of these carve-out financial statements.

CARVE-OUT STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2021, 2020, 2019

	Total Net Parent Investment AED '000
Balance at January 1, 2019	(9,123)
Net profit	1,646,608
Net distributions to Parent (Note 15)	(1,721,017)
Balance at December 31, 2019	(83,532)
Net profit	1,104,812
Net distributions to Parent (Note 15)	(1,179,196)
Balance at December 31, 2020	(157,916)
Net profit	1,380,575
Net distributions to Parent (Note 15)	(1,232,739)
Balance at December 31, 2021	(10,080)

The attached notes 1 to 23 form part of these carve-out financial statements.

1 DESCRIPTION OF BUSINESS AND PRINCIPAL ACTIVITIES

Roads and Transport Authority ("RTA" or "the Parent") was incorporated in the Emirate of Dubai, United Arab Emirates (UAE) under decree no. 17/2005 issued by His Highness Sheikh Mohammed Bin Rashid Al Maktoum, the Ruler of Dubai, on 1 November 2005. RTA was formed to develop solutions for Dubai's transportation needs and encompasses within its fold the roads and traffic systems, which includes the Salik Tolling Business. Additionally, RTA encompasses public buses and taxis, marine transport, metro railway and licensing system. RTA is fully owned by the Government of Dubai.

The Traffic and Roads Agency ("the Agency") is not a separate legal entity and is a division of RTA. The registered office of the Agency is PO Box 118899, Dubai, United Arab Emirates. The principal activities of the Agency include construction of roads and related network systems, administration of Salik toll system, parking fees and penalties.

In November 2021, based on the Dubai Government's direction and RTA's senior management decision, RTA announced their intention to undertake an exercise to separate and list RTA's Tolling Business (the "Company" or "Salik") on the DFM stock Exchange in Dubai, UAE. RTA is owned by the Dubai Department of Finance (DoF) which have a controlling stake in the newly established entity Salik P.J.S.C. ("Salik PJSC"). Salik PJSC is a Public Joint Stock Company established under Law no. 12 of 2022 issued by His Highness Sheikh Mohammed Bin Rashid Al Maktoum, the Ruler of Dubai, on 10 June 2022. Therefore, Salik PJSC is held by DoF on behalf of the Government of Dubai prior to listing on the DFM. Salik PJSC is anticipated to sell a certain percentage of its shares through an Initial Public Offering ("IPO") on the DFM stock exchange (the "Transaction"). The special purpose carve-out financial statements are prepared by the management of RTA for the purpose of identifying the financial position of the Company as at 31 December 2021, 2020 and 2019 and its financial performance for the years then ended.

Salik is Dubai's automatic road toll collection business. The principal activities of the Company are the operations and maintenance of the existing tollgates throughout Dubai, UAE. Salik is a free-flowing automated system, so motorists do not need to stop their car at any point on a Dubai highway subject to toll. To use Dubai's highways subject to tolls, motorists need to attach a Salik tag to their vehicle windshield. Salik's software, Dubai Tolling Collection System ("DTCS"), uses Radio Frequency Identification ("RFID") technology which detects the customer's vehicle and scans the Salik sticker tag, which is automatically linked to the motorist's Salik customer account. Customers are required to carry a prepaid balance in their individual customer accounts, and toll fees are automatically deducted from the account once the vehicle passes through the tollgate. The tolling tariffs are governed by "Traffic Tariff/Tolls in the Emirate of Dubai law number 22 for the year 2006" as issued by His Highness Sheikh Mohammed Bin Rashid Al Maktoum, the Ruler of Dubai, effective 1 July 2007.

2 BASIS OF PREPARATION

The carve-out financial statements for the years ended 31 December 2021, 2020 and 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The Company has applied IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1") in its adoption of IFRS. The transition date ("Transition Date") is 1 January 2019, which is the opening balance sheet date for the year ended 31 December 2019. The Company has applied IFRS standards effective for the period ended as of 31 December 2021 to all years presented in these carve-out financial statements. The Company has never prepared financial statements or financial information on the basis of preparation presented herein. Prior to the Company's first-time adoption of IFRS, the Parent reported financial information in accordance with the International Public Sector Accounting Standards (IPSAS), as issued by the International Public Sector Accountings Standards Board (IPSASB).

Estimates made by the Company in preparing its first IFRS financial statements reflect the facts and circumstances which existed at the time such estimates were made. Accordingly, the estimates made by the Company to prepare these carve-out financial statements are consistent with those made in the historical reporting of financial information of RTA.

Since Salik has not previously prepared financial statements, the carve-out financial statements do not include any IFRS 1 first-time adoption reconciliations.

2 BASIS OF PREPARATION (continued)

These carve-out financial statements represent the historical operations of Salik and have been prepared from the accounting records of RTA and reflect the cash flows, revenues, expenses, assets, and liabilities of the Salik tolling business which were separately maintained in the RTA books except for corporate shared overheads, which are carved out on the basis explained in Note 5 and 15. Further, employee benefits including the liability in respect of end of service benefits obligation only relates to employees who are directly attributable to Salik. These liabilities are not legally transferred to Salik PJSC as of the date of the transaction and will only be transferred once the legality is completed.

Because Salik is not a standalone legal entity in the historical periods presented, Parent's net investment is shown in lieu of shareholders' equity in these carve out financial statements. Parent's net investment represents the cumulative net investment by RTA in the Company through that date. The impact of transactions between the Company and RTA that were not historically settled in cash are also included in Parent's net investment.

During the periods presented, the Company functioned as part of the Transport and Roads Agency ("TRA)" which is one of four agencies forming part of RTA. Accordingly, both RTA and TRA have historically performed certain corporate overhead functions for Salik. These functions include, but are not limited to, executive oversight, legal, finance, human resources, and financial reporting. The costs of such services have been allocated to the Company based on the most relevant allocation method to the service provided. Management believes such allocations are reasonable; however, they may not be indicative of the actual expense that would have been incurred had the Company been operating as a separate entity apart from RTA and these allocations are not representative of future performance of Salik if operated independently. The cost allocated for these functions is included in Corporate allocation expense in the carve-out statement of profit and comprehensive income for the historical periods presented. A complete discussion of the Company's relationship with RTA, together with the cost allocations, is included in Note 5 and Note 15 to the carve-out financial statements.

The Company utilizes RTA's centralized processes and systems for cash management, payroll and purchasing. As a result, all cash received by the Company was deposited in and commingled with RTA's general corporate funds and is not specifically allocated to the Company. The net results of these cash transactions between the Company and RTA are reflected as Net parent investment within the carve-out statement of financial position.

During the periods presented in these carve-out financial statements, the Company used in its operations property and equipment such as infrastructure assets and tolling equipment which are legally owned by RTA. Therefore, those assets and related depreciation expense have been included in these carve-out financial statements. However, the legal title over those assets will remain with RTA and not be transferred to Salik PJSC. Accordingly, these assets will not be included in the future financial of Salik PJSC. Salik PJSC will continue using the assets in its operations in subsequent periods under a new arrangement that will be put in place between Salik PJSC and RTA.

These carve-out financial statements are the first set of financial statements of Salik as the business did not constitute a stand-alone legal entity in any of the periods presented. These carve-out financial statements have been prepared for the purpose of inclusion in the prospectus in connection with the proposed listing of Salik PJSC on Dubai Financial Market in the United Arab Emirates. As the Company did not operate as a stand-alone entity in the past, these carve-out financial statements may not be indicative of the Company's future performance and do not necessarily reflect what its results of operations, financial position and cash flows would have been had the Company operated as a separate entity apart from RTA during the periods presented.

As a result of the above mentioned matters these carve-out financial statements may not necessarily be indicative of the financial position, results of operations or cash flows of Salik, had it operated as a stand-alone legal entity during the periods presented. In addition, these carve-out financial statements do not reflect the financial impact that would arise at the point of separation of Salik from RTA.

The carve-out financial statements have been prepared on historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets, unless otherwise disclosed.

The carve-out financial statements are presented in UAE Dirhams ("AED"), which is also the Company's functional currency. All values have been rounded to the nearest thousand ("000"), unless otherwise disclosed.

3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following are descriptions of new standards, amendments and interpretations of IFRS that have been issued but are not yet effective for the Company. The Company is in the process of assessing whether there will be any significant changes to its carve-out financial statements upon adoption of these standards.

Amendments to IFRS 3: *References to Conceptual Framework in IFRS Standards*
Amendments to IAS 37: *Onerous contracts – Cost of fulfilling a contract*
Amendments to IAS 16: *Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IFRS 1: *First-time Adoption of International Financial Reporting Standards* (Annual improvements 2018-2020)
Amendments to IFRS 9: *Financial Instruments* (Annual improvements 2018-2020)
Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*
IFRS 17 and amendments to IFRS 17: *Insurance Contracts*
Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IAS 8: *Definition of Accounting Estimates*
Amendments to IAS1 and IFRS Practice Statement 2: *Disclosure of Accounting Policies*
Amendments to IAS 12: *Deferred Tax related to Assets and Liabilities arriving from a Single Transaction*

The above new standards, new interpretations and amended standards are not expected to have a material impact on the carve-out financial statements of the Company.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these carve-out financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated:

4.1 Property and equipment

Property and equipment is carried at historical cost, less accumulated depreciation and any impairment loss. The cost of purchased property and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable tobringing the asset to its working condition for the intended use.

Subsequent costs incurred are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential over the total life of the asset in excess of the most recently assessed standard of performance of the asset will flow to the Company and the cost of the item can be measured reliably.

Depreciation on property and equipment commences when the assets are ready for their intended use. Depreciation is provided on the straight line method over the useful lives of respective assets, as follows:

Building	30 years
Infrastructure Assets (i.e. Toll gates)	15 or 25 years
Tolling Equipment	4 to 10 years
Office equipment and furniture	5 to 10 years

All assets are carried at its cost less any accumulated depreciation and any accumulated impairment losses. The residual values, useful lives and method of depreciation of assets are reviewed at each financial year-end and adjusted prospectively, if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount, refer to Note 4.13.

Any item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Repairs and renewals are charged to profit or loss when the expense is incurred.

Capital work-in-progress is stated at cost and includes items of property and equipment that are being developed for future use. When commissioned, capital work-in-progress is transferred to appropriate category of property and equipment and depreciated in accordance with the Company's policies.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. 2 Intangible assets

An internally generated intangible asset arising from the Company's product or software development is recognised only if all of the following conditions are met:

- An asset is created that can be identified (such as software and new processes);
- It is probable that the asset will generate future economic benefits; and
- The development costs can be reliably measured.

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Research costs are recognized in the carve-out statement of profit and other comprehensive income in the period in which they are incurred.

Development costs are capitalized if, and only if, all the following conditions are fulfilled:

- The technical feasibility of the product has been demonstrated;
- The product or process will be placed on the market or used internally;
- The assets will generate future economic benefits (a potential market exists for the product or, where it is to be used internally, its future utility has been demonstrated);
- The cost of the asset can be measured reliably; and
- The technical, financial, and other resources required to complete the project are available.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives, generally 4 years. Intangible assets are assessed for impairment whenever there is an indication that the intangible assets may be impaired, refer to Note 4.13. The amortisation period and the amortisation method are reviewed at least at each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the carve-out statement of profit and other comprehensive income.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the carve-out statement of profit and comprehensive income when the asset is derecognised.

Other development expenditures that do not meet these criteria, along with all expenditures on research activities, are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

4.3 Inventories

Inventories comprise Salik tags and Salik recharge scratch cards and are measured at cost upon initial recognition. The cost of the inventory comprises of purchase cost and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

4.4 Financial instruments

Financial assets and financial liabilities (financial instruments) are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss recognized immediately in the carve-out statement of profit and comprehensive income.

The financial assets and financial liabilities are classified as current if they are expected to be realized or settled within operating cycle of the company or otherwise these are classified as non-current.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Financial instruments (continued)

The financial instruments are classified to be measured at Amortized Cost, at Fair Value Through Profit and Loss (FVTPL) or at Fair Value Through Other Comprehensive Income ("FVTOCI") and such classification depends on the objective and contractual terms to which they relate. Classification of financial instruments are determined on initial recognition. The Company's financial assets consist of trade and other receivables. The Company's financial liabilities consist of trade and other payables.

- *Financial Instruments measured at amortized cost:*
  Financial Assets held within a business whose objective is to hold these assets 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 on the principal amount outstanding are measured at amortized cost. The above Financial Assets and Financial Liabilities subsequent to initial recognition are measured at amortized cost using Effective Interest Rate ("EIR") method [Note 4.10].
- *Financial Asset at Fair Value Through Other Comprehensive Income:*
  Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised directly in other comprehensive income.
- *Financial Instruments at Fair Value through profit or loss:*
  Financial Instruments which do not meet the criteria of amortized cost or fair value through other comprehensive income are classified as Fair Value through Profit or loss. These are recognised at fair value and changes therein are recognized in the carve-out statement of profit and comprehensive income.

De-recognition of financial instruments

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the Company transfers substantially all risks and rewards of ownership.

On derecognition of a financial asset (except for equity instruments designated as FVTOCI), the difference between the asset's carrying amount and the sum of the consideration received and receivable are recognized in the carve-out statement of profit and comprehensive income.

On derecognition of assets measured at FVTOCI the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment unless the asset represents an equity investment, in which case the cumulative gain or loss previously recognised in other comprehensive income are reclassified within equity.

Financial liabilities are derecognized if the Company's obligations specified in the contract expire or are discharged or cancelled. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in carve-out statement of profit and comprehensive income.

4.5 Trade and other receivables

A trade receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due) and primarily relates primarily to the sale of Salik tags, receivables from fines and penalties, and commissions for processing fees from banks and telecommunication providers. The receivables are measured at amortised cost using the effective interest method, less provisions for impairment losses for amounts considered uncollectible. Amounts considered uncollectible are estimated on the basis of the method described in the section, "Impairment loss on receivables".

4.6 Trade and other payables

These represents liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer) after the carve-out statement of financial position date. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs its obligations under the contract. The Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

4.8 Provision for employee benefits

(a) End of service benefits to non-UAE Nationals

An accrual is made for employees employed in the UAE, for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by the employees up to the carve-out statement of financial position date. Provision is also made for the full amount of end of service benefits due to the non-UAE Nationals in accordance with the applicable Government of Dubai Human Resources Management Law, for their periods of service up to the carve-out statement of financial position date. The entitlement to these benefits is usually based upon the employee's salary and length of service, subject to completion of a minimum service period.

The accrual relating to annual leave and leave passage is disclosed as a current liability, while that relating to end of service benefits is disclosed as a non-current liability.

(b) Pension and social security policy

The Parent is a member of the pension scheme operated by the Federal General Pension and Social Security Authority. Contributions for eligible UAE National employees are made in accordance with the provisions of Federal Law No. 7 of 1999 relating to Pension and Social Security Law. Contributions expensed are classified as Employee Benefit expense in the carve-out statement of profit and other comprehensive income.

4.9 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the carve-out statement of profit and comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed to the carve-out statement of profit and comprehensive income.

4.10 Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. The future cash receipts are estimated taking into account all the contractual terms of the instrument.

4.11 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the carve-out statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The legal enforceable right is not contingent on anything.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the carve-out financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognised in the carve-out financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature and characteristics.

4. 13 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations are recognised in the carve-out statement of profit comprehensive income in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the carve-out statement of profit and comprehensive income.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Impairment of financial assets

Credit-impaired Financial assets

At each reporting date, the Company assesses whether a financial asset carried at amortized cost is credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Management's assessment uses the lifetime probability of default method. A credit loss will be calculated as the difference between the cash flows that are due in accordance with the contract/agreement and the cash flows that the Company expects to receive, discounted at the original effective interest rate of the financial instrument.

Trade and other receivables

For trade and other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix, as disclosed in Note 19, that is based on five years recovery data, adjusted for forward-looking factors and the time value of money.

The Company applies a practical expedient to calculate ECLs on receivables that do not contain a significant financing component using a provision matrix. This matrix is based on information such as delinquency status and actual credit loss experience (on historical data) and based on current and forward-looking information on macroeconomic factors. The provision matrix is applied to all outstanding trade receivables by aging and customer group to determine the actual ECL.

Presentation of allowance for ECL in the carve-out statement of financial position

The expected credit loss allowance for each type of financial asset (i.e. trade receivables) is deducted from the gross carrying amount of the assets (i.e. contra-asset). Impairment losses are shown separately on the face of the carve-out statement of profit and other comprehensive income.

Write-off

Write-offs are recognized, when the Company has no reasonable expectations of recovering a financial asset either in its entirety or a portion thereof. For trade receivables arising from fines and penalties, write-offs occur five years after the violation is issued , which is estimate useful life of a customer.

4.15 Revenue recognition

The Company is in the business of providing tolling services to motorists. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

(a) *Tolling fees* - Revenue from tolling fees are satisfied at a point in time as the vehicle passes through the toll gate. The transaction price is fixed per passage under the toll gate and is typically paid in advance by the customer. Each passage under the tollgate represents a distinct performance obligation.

(b) *Salik tags* - Tags and recharge cards are purchased by end-customers from third party vendors or directly online. A contract is established with each end-customer when a Salik tag is registered by the end-customer. The customer pays a one-time activation fee; thereby giving Salik the right to payment and the customer right of passage to use the tollgates without penalty. Activation of the tag does not meet the criteria to be considered a distinct performance obligation, and therefore the activation fee is combined with the tolling fees and is recognised over the estimated life of the end-customer.

(c) *Fines and penalties* - Penalties are earned for violating of rules and regulations of Salik by third parties. They are recognised at the time the Company has the right to receive cash.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Revenue recognition (continued)

(d) *Inactive balance-write-off* – A customer's non-refundable prepayment to an entity gives the customer a right to receive a service in the future. However, customers may not exercise all of their contractual rights. When an entity expects to be entitled to a breakage amount in a contract liability, the entity shall recognise the expected breakage amount as revenue. The Company recognises revenue when the likelihood of the customer exercising its remaining rights becomes remote.

(e) *Variable consideration* – If consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for services rendered to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal will not occur when the related uncertainty is subsequently resolved. Dismissals and refunds for fine and penalty violations give rise to variable consideration.

(f) *Other* - The Company also recognises revenue from delivery of tags to customers and processing fees for recharges, which is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the tag at the customer's location and upon recharge of the account.

4.16 Contingencies

Contingent liabilities are not recognised in the carve out financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the carve-out financial statements but disclosed when an inflow of economic benefits is probable.

4.17 Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

4.18 Segment Reporting

For management purposes, the Company is organised into one segment, which is the Tolling Business. Accordingly, the Company only has one reportable segment. Management monitors the operating results of the business as a single unit for the purpose of making decisions about resource allocation and performance assessment. Historically, the Company's performance was monitored and managed as part of the Transport and Roads Agency which formed part of RTA.

5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Company's accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Accounting Estimates and Judgements - The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Corporate allocations

The carve-out financial statements include allocations for certain expenses historically maintained by RTA or TRA. Such items have been allocated to the Company and included in the carve-out financial statements based on the most relevant allocation method, primarily relative percentage of headcount or revenue. Management believes that this basis for allocation of expenses is reasonable. Actual results may differ from these estimates. A 1% increase or decrease change in allocation percentages would result in approximately AED 1.1 million, AED 930 thousand, and AED 1.0 million change in expense allocated to the Company for the years ended December 31, 2021, 2020 and 2019, respectively.

(b) Life of customer contract

The Company's management determines the estimated useful lives of its customer contracts for calculating the period over which tag activation fee revenue is recognised. Management estimates the average customer life by calculating the weighted average of number of days between tag activation and tag deactivation, which is approximately five years. However, the actual useful life may be shorter or longer than five years, depending on when customer's deactivate their Salik tag. If the average customer useful life was four years, the carrying amount of contract liabilities would decrease and revenue recognized would increase by AED 1.8 million, AED 1.2 million, and AED 1.5 million as at and for the years ended 31 December 31, 2021, 2020, and 2019, respectively. If the average customer useful life was six years, the carrying amount of contract liabilities would increase and revenue recognized would decrease by AED 1.2 million, AED 800 thousand, and AED 1.0 million as at and for the years ended 31 December 31, 2021, 2020, and 2019, respectively.

(c) Fine and penalty violation dismissals

Customers have the right to dispute wrongful violations. If the violation has been paid then the customer is entitled to a refund and if the violation has not yet been paid the violation is dismissed. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal will not occur when the related uncertainty is subsequently resolved. Primarily all wrongful violations are dismissed in the year in which the violation is issued and substantially all dismissals occur with two calendar years of the violation issuance; however based on historical information management can estimate dismissals which will occur in subsequent years after the violation is issued. In determining the impact of variable consideration the Company uses the "most-likely amount" method in IFRS 15 whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts. A 1% increase or decrease change in estimated dismissals beyond the year in which the violation is issued would result in approximately AED 707 thousand change or AED 1.3 million change in revenue recognized for the years ended December 31, 2021 and 2020, respectively.

(d) Useful lives of property and equipment, infrastructure and intangible assets

The Company's management determines the estimated useful lives of its property and equipment, infrastructure, and intangible assets for calculating depreciation/ amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation/ amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates.

5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(e) Provision for expected credit losses of trade and other receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., customer type and rating). The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

During the years presented, management concluded the expected credit losses for trade receivables for customers not arising from violations was not material due to either no balances or an immaterial balance being past due, and due to positive forecasted economic conditions.

To calculate the expected credit losses for trade receivables arising from fines and penalties, management has used a credit period of twelve months to calculate the due date as customers generally have up to one year before they are required to pay the violation issued. Management has tracked recoveries for violations for five years beginning January 1, 2017 as management estimates the average customer useful life is five years.

Critical Judgements in Applying the Company's Accounting Policies - The following are the critical judgements, apart from those involving estimations discussed above, that management made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the carve-out financial statements.

(f) Impairment of non-financial assets

The Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets are impaired. In making the assessment for potential indicators of impairment, management is required to make certain judgments when determining whether events or circumstances exist that indicate the carrying amount may not be recoverable. During the years presented, management concluded there were no indicators of impairment that required a further assessment.

(g) Impairment of financial assets

The Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and when the financial asset is no longer subject to enforcement activity.

(h) Consideration of significant financing component in a contract

Customers are required to prepay tolling fees. Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. During the years presented, management concluded the amounts of advances which were likely to transfer after one year were not material and therefore did not require further assessment.

(i) Impact of Covid-19

Covid-19, an infectious disease caused by a new virus, was declared a world-wide pandemic by the World Health Organisation ("WHO") on 11 March 2020. The measures taken by various Governments across the world to slow the spread of Covid-19 have had a significant impact on the global economy and companies. Whilst the existing and anticipated effects of the outbreak of Covid-19 on the economies and companies are expected to evolve in an uncertain manner, we are cautiously optimistic that the pandemic would be brought under control with the numerous vaccines being deployed, and a semblance of 'new normality' expected to arise thereafter.

The Company has taken various measures, amongst others, in a proactive manner to ensure safety and wellbeing of its employees, strategic review of Company plans, organisational changes, monitoring of cash flows including evaluation of financing required from related parties and costs rationalisation measures.

6 REVENUE

Set out below is the disaggregation of the Company's revenue for the years ended 31 December:

	2021 ***AED'000***	*2020* *AED'000*	*2019* *AED'000*
Tolling fees	**1,502,070**	1,226,121	1,768,419
Fines and penalties	**184,294**	157,243	202,307
Inactive balance write-off	**5,369**	4,619	4,027
Miscellaneous	**1,474**	701	507
	1,693,207	1,388,684	1,975,260

Included in tolling fees revenue is the recognition of tag activation fees over the estimated customer life in the amounts of AED 29.6 million, AED 23.8 million, and AED 35.5 million for the years ended 31 December 2019, 2020, and 2021, respectively.

7 COST OF TAGS AND RECHARGE CARDS

	2021 ***AED'000***	*2020* *AED'000*	*2019* *AED'000*
Inventories expensed – Salik Tags	21,374	14,236	16,085
Inventories expensed – Salik Recharge Cards	392	680	314
	21,766	14,916	16,399

8 TOLL OPERATION AND MAINTENANCE EXPENSE

	2021 ***AED'000***	*2020* *AED'000*	*2019* *AED'000*
Operating expenses	62,626	60,032	63,961
Maintenance expenses	23,233	21,629	21,292
	85,859	81,661	85,253

The operations and maintenance of the tolling system is outsourced to one third party service provider. Operating expense comprises account management, customer service, processing of violations, and general requirements to operate the tolling business. Maintenance expense comprises back-office software support, maintaining and replacing equipment, and mobile application maintenance. Operating and maintenance expenses are recorded in the year in which the services are provided.

9 EMPLOYEE BENEFITS EXPENSE

	2021 ***AED'000***	*2020* *AED'000*	*2019* *AED'000*
Salaries and wages	8,588	10,570	9,833
Other benefits and allowances	637	1,233	1,549
End of service benefits	326	370	284
	9,551	12,173	11,666

10 OTHER EXPENSES

	2021 ***AED'000***	*2020* *AED'000*	*2019* *AED'000*
Service provider expense – Other Emirates Commissions	10,020	8,945	10,822
Commission on card sale	10,546	8,464	15,289
Service provider expense – Bank Commissions	6,616	5,241	7,103
Professional fees	6,248	5,055	3,771
Commission on tag sale	3,410	2,296	2,861
Other expenses	1,912	3,410	1,077
Wireless communication for Salik RFID tags	1,377	156	1,416
	40,129	33,567	42,339

11 PROPERTY AND EQUIPMENT

2021:

	Buildings AED'000	*Infrastructure Assets* AED'000	*Tolling Equipment* AED'000	*Office equipment & Furniture* AED'000	*Capital Work-In-Progress* AED'000	*Total* AED'000
Cost:						
At 1 January 2021	2,438	128,718	49,438	1,657	26,471	208,722
Additions	-	-	-	-	1,209	1,209
At 31 December 2021	2,438	128,718	49,438	1,657	27,680	209,931
Accumulated depreciation:						
At 1 January 2021	1,050	45,993	47,900	1,651	-	96,594
Depreciation charge for the year	103	5,149	746	2	-	6,000
At 31 December 2021	1,153	51,142	48,646	1,653	-	102,594
Net carrying amount:						
At 31 December 2021	**1,285**	**77,576**	**792**	**4**	**27,680**	**107,337**

Property and equipment except for office and furnitures represents assets that are dedicated for Salik's operation, however, the title of these rests with RTA. Salik PJSC is in the process of entering into a concession agreement with RTA wherein, rights will be provided to Salik PJSC to use these assets against a concession fee. Accordingly, these assets will not be included in the future financial statements of Salik PJSC.

11 PROPERTY AND EQUIPMENT (CONTINUED)

2020:

	Buildings AED'000	*Infrastructure Assets AED'000*	*Tolling Equipment AED'000*	*Office equipment & Furniture AED'000*	*Capital Work-In-Progress AED'000*	*Total AED'000*
Cost:						
At 1 January 2020	2,438	139,656	49,135	1,657	23,921	216,807
Additions	-	-	-	-	2,853	2,853
Disposal	-	(10,938)	-	-	-	(10,938)
At 31 December 2020	2,438	128,718	49,135	1,657	26,774	208,722
Accumulated depreciation:						
At 1 January 2020	947	46,496	47,179	1,649	-	96,271
Additions	-	-	36	-	-	36
Disposal	-	(6,017)	-	-	-	(6,017)
Depreciation charge for the year	103	5,514	685	2	-	6,304
At 31 December 2020	1,050	45,993	47,900	1,651	-	96,594
Net carrying amount:						
At 31 December 2020	1,388	82,725	1,235	6	26,774	112,128

11 PROPERTY AND EQUIPMENT (CONTINUED)

2019:

	Buildings AED'000	*Infrastructure Assets AED'000*	*Tolling Equipment AED'000*	*Office equipment & Furniture AED'000*	*Capital Work-In-Progress AED'000*	*Total AED'000*
Cost:						
At 1 January 2019	2,438	139,656	49,135	1,657	22,578	215,464
Additions	-	-	-	-	1,343	1,343
At 31 December 2019	2,438	139,656	49,135	1,657	23,921	216,807
Accumulated depreciation:						
At 1 January 2019	844	40,910	46,241	1,647	-	89,642
Depreciation charge for the year	103	5,586	938	2	-	6,629
At 31 December 2019	947	46,496	47,179	1,649	-	96,271
Net carrying amount:						
At 31 December 2019	1,491	93,160	1,956	8	23,921	120,536

12 INTANGIBLE ASSETS

Intangible assets consists of internally developed software for Dubai Tolling Collection System. The cost of AED 63.4 million was capitalised in 2007 which was amortised over a useful life of 4 years. The carrying value of the asset as of 31 December 2021, 2020 and 2019 is nil.

The expenditures incurred during the years ended 31 December 2019, 2020 and 2021 towards enhancements of the software did not meet capitalisation criteria and have been expensed in the year in which the expense was incurred. Expenses incurred related to software development was AED 14.0 million, AED 12.5 million, and AED 10.0 million during the years ended 31 December 2019, 2020, and 2021, respectively.

Management did not identify any indicators of impairment for intangible assets in 2019, 2020 or 2021.

13 INVENTORIES

The composition of inventory is as follows as at December 31:

	31-Dec 2021 AED'000	*31-Dec 2020 AED'000*	*31-Dec 2019 AED'000*	*1-Jan 2019 AED'000*
Salik recharge scratch cards	78	40	173	65
Salik Tags	15,966	19,488	8,459	16,999
	16,044	19,528	8,632	17,064

All inventories are in the form of finished goods. The amount of inventories recognised as expense during the year is included in Direct Costs on the carve-out statement of profit and comprehensive income. None of the inventories are carried at net realisable value being lower than cost for all years presented. There are no obsolete or slow moving inventories for the years ended 31 December 2021, 2020 and 2019. There have been no write-off of inventory for the years ended 31 December 2021 and 2019. For the year ended 31 December 2020, there has been a write-off of inventory due to damage for AED 1,730 thousand which is included in Other Expenses [Note 10].

14 TRADE AND OTHER RECEIVABLES

The composition of trade and other receivables is as follows as at December 31:

	31-Dec 2021 AED'000	*31-Dec 2020 AED'000*	*31-Dec 2019 AED'000*	*1-Jan 2019 AED'000*
Fines and penalties	**292,541**	240,594	236,864	180,285
Other Emirates	**21,263**	9,535	27,518	28,512
Taxi	**20,807**	6,392	11,232	8,769
Gas Stations	**15,105**	-	14,891	28,925
Telecom	**2,882**	6,415	6,747	4,116
Banks	**1,831**	1,173	1,400	1,472
Other	**771**	405	205	479
Less: loss allowance on fines and penalties	**(196,680)**	(170,401)	(145,231)	(95,318)
	158,520	94,113	153,626	157,240

Trade and other receivables are measured at amortised cost using the effective interest method.

Trade and other receivables from Other Emirates, taxi, gas stations, telecom, banks and others are not secured, non-interest bearing and are generally on terms of 30 to 90 days. There is no allowance for expected credit losses or impairment incurred for trade and other receivables from other Emirates, taxi, gas stations, telecom, banks and other.

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables from fines and penalties are not secured, are non-interest bearing, and customers are generally required to pay the violation 12 months from the issuance date. The movement of loss allowance on receivable relating to fines and penalties for the years ended 31 December were as follows:

	2021	*2020*	*2019*
	AED'000	*AED'000*	*AED'000*
Balance at beginning of the year, 1 January:	**170,401**	145,231	95,318
Provision for expected credit losses	**26,279**	25,170	49,913
Balance at the end of the year, 31 December:	**196,680**	170,401	145,231

The provision for impairment of receivables has been included in "Impairment loss on receivables" in the carve-out statement of profit and other comprehensive income. Information about credit exposures are disclosed in Note 19. The Company fully writes off a trade receivable arising from a violation when there is no realistic prospect of recovery, which is estimated by management to be at the end of the average customer useful life, which is five years.

15 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise the DOF, the Parent and the Parent's fellow agencies, the Parent's fully owned subsidiary Dubai Taxi Corporation, the Parent's 50% controlled joint venture RTA Careem LLC (Hala Taxi), and the Directors of the Parent. The Company, in the normal course of business, receives services from related parties. These transactions comprise the purchase and sale of goods and services in the normal course of business at terms determined by the management. All related party transactions are managed at the Parent level related to the Agency and are routed through the bank account managed and recorded in the books of Parent.

The Company has availed the exemption as per para 25 of IAS 24 Related Party Disclosure and consider the entities controlled by Government of Dubai as non-related except for Emirates NBD Bank PJSC (ENBD) and Emirates National Oil Company (ENOC). Transactions with ENBD relate to commissions earned and amount to AED 2.3 million, AED 1.9 million, and AED 2.5 million for the years ended 31 December 2021, 2020 and 2019. Transactions, gross of commission earned, with ENOC relate to the sale of Salik tag and recharge cards and amount to AED 144 million, AED 117 million, and AED 169.5 million for the years ended 31 December 2021, 2020, and 2019. The Company does not have any other significant transactions with the entities controlled, jointly controlled or significantly influenced by the Government of Dubai.

Land and buildings – Tollgates and buildings are constructed on land owned by the Government of Dubai. The land and buildings are used by the Parent and the Company free of charge. Further, property and equipment except for office and furnitures represents assets that are dedicated for Salik's operation, however, the title of these rests with RTA. Salik PJSC is in the process of entering into a concession agreement with RTA wherein, rights will be provided to Salik PJSC to use these assets against a concession fee. Accordingly, these assets will not be included in the future financial statements of Salik PJSC.

Tolling fees collected by Dubai Taxi Corporation and Hala Taxi – Tolling fees collected by Dubai Taxi Corporation and Hala Taxi represent toll fee collection by taxis operated by the related parties within the Emirate of Dubai and are based on trips under tollgates where there is a passenger in the taxi vehicle. Tolling fees collected by Dubai Taxi Corporatition are AED 68.2 million, AED 31.8 million, and AED 48.3 million for the years ended 31 December 2019, 2020 and 2021, respectively. Tolling fees collected by Hala Taxi is AED 2.1 million for the year ended 31 December 2019. Historically, collections made by Dubai Taxi Corporation and Hala Taxi are settled directly with Government of Dubai's Department of Finance. The total effect of the settlement of the tolling fee portion of these transactions is reflected in the carve-out statements of cash flows as a financing activity and in the carve-out statement of financial position as Net parent investment.

Corporate Costs Allocation – The Company has been allocated expenses from the Parent in the amounts of AED 102.4 million, AED 92.9 million, and AED 113.1 million for the years ended December 31, 2019, 2020, and 2021, respectively. These costs are derived from multiple levels of the organization including shared RTA corporate expenses and shared agency expenses. The allocated corporate costs include, but are not limited to, executive oversight, legal, finance, human resources, audit, strategic planning, and IT governance and are allocated to the Company to represent the cost of providing these services. Further, Parent's Director compensation is included in these amounts. The amounts allocated to the Company are intended to represent the costs of providing these services, and management believes the allocation methods are reasonable.

15 RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

Corporate Costs Allocation (continued)

However, the actual cost of obtaining these individual services, if the Company had operated as a stand-alone company, could have been materially different. The cost of the services provided by RTA and TRA were determined by the most relevant allocation method, primarily the relative percentage of headcount or revenue. These costs are recorded as corporate allocation expenses in the carve-out statement of profit and comprehensive income.

Cash pooling - The Company utilises the Parent's centralised processes and systems for cash management. As a result, substantially all cash received related to the tolling business is deposited and comingled with Parent's general corporate funds. The Company does not have legal right to deposit or withdraw funds autonomously. Substantially all cash received by the Company was deposited in and commingled with RTA's general corporate funds and is not specifically allocated to the Company. The total net effect of the settlement of these transactions is reflected in the carve-out statements of cash flows as a financing activity and in the carve-out statement of changes in equity as net distribution to parent.

	2021	*2020*	*2019*
	AED'000	*AED'000*	*AED'000*
Cash pooling and general activities	**(1,222,255)**	(1,225,998)	(1,768,930)
Receivables from Parent	**(123,560)**	(46,071)	(54,526)
Corporate allocations	**113,076**	92,873	102,439
Net decrease in parent company investment	**(1,232,739)**	(1,179,196)	(1,721,017)

16 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the carve-out statement of financial position are as follows:

	2021	*2020*	*2019*
	AED'000	*AED'000*	*AED'000*
As at 1 January	**2,114**	1,832	1,603
Charge for the year	**263**	282	229
Payments during the year	**-**	-	-
As at 31 December	**2,377**	2,114	1,832

17 TRADE AND OTHER PAYABLES

The composition of trade and other payables is as follows as at 31 December:

	31-Dec 2021 AED'000	*31-Dec 2020 AED'000*	*31-Dec 2019 AED'000*	*1-Jan 2019 AED'000*
Trade payables to O&M service provider	-	84,491	60,767	13,443
Trade payables to others	22	49	19	50
Other payables	6,211	19,212	2,741	3,882
Fine refunds payable	3,219	3,237	3,283	3,180
	9,452	106,989	66,810	20,555

Trade and other payables are short-term in nature and are non-interest bearing. These are measured at amortised cost using the effective interest method.

18 CONTRACT LIABILITIES

As of December 31, 2019, 2020 and 2021, current contract liabilities of AED 285.9 million, AED 256.7 million, and AED 276.6 million, respectively, and non-current contract liabilities of AED 36.7 million, AED 32.6 million, and AED 36.7 million, respectively, either relate to account balances paid in advance by the customer or arise from tag sale activation fees. The Company expects to recognise these unsatisfied performance obligations as revenue over a period of up to 5 years. At the end of 5 years any inactive customer account balances will be released and recognised as revenue.

18 CONTRACT LIABILITIES (CONTINUED)

As of December 31, 2021, contract liabilities of AED 60.8 million, arising from tag activation fees will be recognized as revenue as follows:

Year ended 31 December:	*AED'000*
2022	24,100
2023	17,776
2024	11,856
2025	7,090
Total	60,822

Movements in contract liabilities for the years ended 31 December are as follows:

	2021	*2020*	*2019*
	AED'000	*AED'000*	*AED'000*
Beginning balance, as at 1 January	**289,199**	322,677	321,385
Add: Recharges during the year	**1,491,141**	1,179,058	1,745,329
Add: Tag activation fees	**35,451**	23,832	29,597
Less: Revenue recognised during the year – tolling fees	**(1,466,619)**	(1,202,289)	(1,738,822)
Less: Revenue recognized during the year - tag sales	**(30,458)**	(29,460)	(30,785)
Less: Inactive balance write-off during the year	**(5,369)**	(4,619)	(4,027)
Ending balance, as at 31 December	**313,345**	289,199	322,677

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise trade payables and other payables. The Company's principal financial assets comprise trade and other receivables. These financial assets and liabilities arise directly from Company's operations.

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the management under policies approved by the Board of Directors.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these carve-out financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is responsible for developing and monitoring the Company's risk management policies.

Interest rate risk
Interest rate risk is the risk that the value of financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not have interest bearing assets or liabilities.

Price risk
Price 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 instrument or its issuers or factors affecting all the instruments traded in the market. The Company is not exposed to significant price risk as it does not have significant price sensitive financial instruments.

Credit risk
Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company and arises principally from trade receivables and other receivables. The Company evaluates the concentration of risk with respect to trade and other receivables as low. The Company is exposed to credit risk primarily on trade receivables arising from fines and penalties. An impairment analysis is performed at each reporting date to measure expected credit losses. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 14.

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Trade receivables from violations

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables from violations as low, as there are thousands of customers and the maximum fine levied on a customer is AED 10 thousand.

Set out below is the information about the credit risk exposure on the Company's trade receivables from violations using a provision matrix:

As at 31 December 2021:	**Expected credit loss**	**Gross carrying amount**	**Loss allowance**
	%	***AED'000***	***AED'000***
Current	41%	106,132	43,693
1-90 days	60-62%	13,026	7,797
91-180 days	64%-66%	12,392	8,079
180-365 days	69%-79%	32,046	24,542
365+ days	87%	128,945	112,569
Total		**292,541**	**196,680**

As at 31 December 2020:	**Expected credit loss**	**Gross carrying amount**	**Adjusted Loss allowance**
	%	*AED'000*	*AED'000*
Current	47%	88,468	41,637
1-90 days	65%-70%	17,982	12,125
91-180 days	72%-74%	11,933	8,712
180-365 days	76%-84%	27,008	21,925
365+ days	90%	95,203	86,002
Total		**240,594**	**170,401**

As at 31 December 2019:	**Expected credit loss**	**Gross carrying amount**	**Adjusted Loss allowance**
	%	*AED'000*	*AED'000*
Current	44%	128,130	56,806
1-90 days	66%-71%	17,926	12,276
91-180 days	73%-76%	12,669	9,401
180-365 days	77%-82%	29,505	23,683
365+ days	89%	48,634	43,065
Total		**236,864**	**145,231**

As at 1 January 2019:	**Expected credit loss**	**Gross carrying amount**	**Adjusted Loss allowance**
	%	*AED'000*	*AED'000*
Current	42%	121,898	51,663
1-90 days	64%-70%	16,217	10,838
91-180 days	71%-75%	13,912	10,199
180-365 days	77%-82%	28,258	22,618
Total		**180,285**	**95,318**

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through efficient cash management. In the historical period, the Parent limited its liquidity risk by ensuring adequate funds from operations and Government of Dubai are available.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risks mainly arise from sales or purchase by operating unit in foreign currencies other than the unit's functional currency.

The Company is currently not exposed to foreign exchange risk as majority of all the Company's transactions are denominated in AED.

20 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. The Company's financial assets consist of trade and other receivables. The Company's financial liabilities consist of trade and other payables. The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values of the above financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments and due to the value at which the instrument could be exchanged in a current transaction.

21 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

As at 1 January 2019 and 31 December 2019, 2020, and 2021, the Company had outstanding trade receivable balances with gas stations related to the purchases of Salik tag and recharge cards in the amounts of AED 28.9 million, AED 14.9 million, nil, and AED 15.1 million, respectively. These financial assets are offset by the commission payable by the Company to the gas stations in the amounts of AED 1.5 million, AED 784 thousand, nil, and AED 800 thousand, respectively. The net amount is reported in the carve-out statement of financial position. The Company has an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis.

22 SUBSEQUENT EVENTS

The United Arab Emirates Ministry of Finance announced on 31 January 2022 that it will introduce a federal corporate tax regime for the first time in the UAE. A federal corporate tax law is expected to be issued soon along with executive regulations. It is expected that the corporate tax will come into effect on or after 1 June 2023 and will apply to profits generated during financial years starting on or after 1 June 2023. The financial impact of this event is unknown at this time.

23 APPROVAL OF THE CARVE-OUT FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors of Roads and Transport Authority on 24 June 2022 and signed on its behalf by His Excellency Mattar Al Tayer, Director - General and Chairman of the Board of Executive Directors and Youssef Ahmed Al Reda, CEO-Corporate Administrative Support Services