

Roads and Transport Authority – Parking Business

**Carve-out financial statements for the years ended 31
December 2022 and 2021**

ROADS AND TRANSPORT AUTHORITY - Parking Business

**Carve-out financial statements of the Parking Business
For the years ended 31 December 2022 and 2021**

	Pages
Independent auditor's report	01
Carve-out statement of profit or loss and other comprehensive income	04
Carve-out statement of financial position	05
Carve-out statement of cash flows	06
Carve-out statement of changes in equity	07
Notes to the carve-out financial statements	08 - 37

Independent auditor's report to the directors of Roads and Transport Authority

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 carve-out financial position of Roads and Transport Authority – Parking Business (the "Parking Business") as at 31 December 2022 and 2021, 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 Parking Business' carve-out financial statements comprise:

- the carve-out statement of profit or loss and other comprehensive income for the years then ended;
- the carve-out statement of financial position as at 31 December 2022 and 2021;
- the carve-out statement of cash flows for the years then ended
- the carve-out statement of changes in equity 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 the Parking Business 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 other 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 Notes 1 and 2 to the carve-out financial statements, the Parking Business has not operated as a separate entity. These carve-out financial statements are, therefore, not necessarily indicative of results that would have occurred if the Parking Business had been a separate stand alone entity during the years presented or of future results of the Parking Business.

The carve-out financial statements are prepared by the management of Roads and Transport Authority in connection with the listing of the Parking Business 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.

Independent auditor's report to the directors of Roads and Transport Authority (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 the Parking Business' 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 Parking Business or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Parking Business' 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 the Parking Business' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

- 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 Parking Business' 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 the Parking Business to cease to continue as a going concern.
- 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 Limited Partnership Dubai Branch
10 January 2024



Wassim El Afchal
Registered Auditor Number 5454
Dubai, United Arab Emirates



Roads and Transport Authority
(Parking Business)

CARVE-OUT STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME

For the years ended 31 December

	Notes	2022 AED'000	2021 AED'000
Revenue	6	686,242	590,566
Other income	7	717	293
Commission expenses	8	(25,005)	(22,426)
Maintenance expense		(33,777)	(33,593)
Variable lease payments	14	(11,390)	(10,785)
Other expenses	9	(36,088)	(34,026)
Employee benefits expense	10	(135,852)	(134,679)
Depreciation and amortisation	11	(20,615)	(20,396)
Corporate allocation expense	20	(110,799)	(105,741)
Reversal of impairment loss / (impairment loss) on trade receivables	15	2,486	(9,318)
Finance expense	14	(320)	(392)
PROFIT FOR THE YEAR		315,599	219,503
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		315,599	219,503

The attached notes 1 to 24 form part of these carve-out financial statements.

Roads and Transport Authority
(Parking Business)

CARVE-OUT STATEMENT OF FINANCIAL POSITION

As at

	Notes	31 Dec 2022 AED'000	31 Dec 2021 AED'000	1 Jan 2021 AED'000
ASSETS				
Non-current assets				
Property and equipment	12	34,148	53,391	56,891
Intangible assets	13	11,386	11,075	10,343
Right-of-use asset	14	16,446	21,608	27,308
		<u>61,980</u>	<u>86,074</u>	<u>94,542</u>
Current asset				
Trade and other receivables	15	227,680	277,982	154,950
TOTAL ASSETS		<u>289,660</u>	<u>364,056</u>	<u>249,492</u>
LIABILITIES				
Non-current liabilities				
Employees' end of service benefits	16	61,229	57,451	53,231
Lease liabilities	14	13,575	17,320	22,350
		<u>74,804</u>	<u>74,771</u>	<u>75,581</u>
Current liabilities				
Trade and other payables	17	90,040	64,499	41,743
Contract liabilities	18	55,202	52,973	49,691
Provisions	19	2,850	1,850	1,100
Lease liabilities	14	3,745	5,030	4,958
		<u>151,837</u>	<u>124,352</u>	<u>97,492</u>
TOTAL LIABILITIES		<u>226,641</u>	<u>199,123</u>	<u>173,073</u>
Net Parent Investment				
Accumulated Net Parent Investment	20	63,019	164,933	76,419
TOTAL LIABILITIES AND NET PARENT INVESTMENT		<u>289,660</u>	<u>364,056</u>	<u>249,492</u>

To the best of our knowledge, the carve-out financial statements fairly present, in all material respects, the financial position, results of operation and cash flows of the Company as of, and for, the years ended 31 December 2022 and 31 December 2021.

These financial statements were approved by the Board of Directors of Roads and Transport Authority on 10 January 2024 and signed on its behalf by:


Director General
Chairman of the Board of Executive Directors


CEO
Corporate Administrative Support Service


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The attached notes 1 to 24 form part of these carve-out financial statements.

Roads and Transport Authority
(Parking Business)

CARVE-OUT STATEMENT OF CASH FLOWS

For the year ended 31 December

		2022 AED'000	2021 AED'000
CASH FLOWS FROM OPERATING ACTIVITIES	Notes		
Profit for the year		315,599	219,503
Adjustments for:			
Depreciation of property and equipment, and right-of-use assets	11	18,890	18,765
Amortisation of intangible assets	11	1,725	1,631
Finance expense (interest on lease liabilities)	14	320	392
Provision for employees' end of service benefits	16	6,316	6,187
Impairment (reversal)/loss on financial assets	15	(2,486)	9,318
Operating cash flows before movements in working capital and employees' end-of-service benefits paid:		340,364	255,796
Decrease/(increase) in trade and other receivables		52,788	(132,350)
Increase in trade and other payables		25,541	22,756
Increase in Provision		1,000	750
Increase in Contract liabilities		2,229	3,282
		421,922	150,234
Employees' end-of-service benefits paid	16	(2,538)	(1,967)
Net cash flows generated from operating activities		419,384	148,267
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, equipment, and intangible assets		(2,418)	(11,928)
Proceeds from the sale of property and equipment		5,897	-
Net cash generated from/ (used in) investing activities		3,479	(11,928)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal element of lease payments	14	(5,030)	(4,958)
Interest element of lease payment	14	(320)	(392)
Distribution to Parent		(417,513)	(130,989)
Net cash used in financing activities		(422,863)	(136,339)
Net cash movement during the year		-	-
Cash at the beginning of the year		-	-
CASH AT THE END OF THE YEAR		-	-

The attached notes 1 to 24 form part of these carve-out financial statements.

Roads and Transport Authority
(Parking Business)

CARVE-OUT STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

	Total Net Parent Investment AED '000
Balance as at 1 January 2021	76,419
Total comprehensive income for the year	219,503
Distribution to Parent	(130,989)
Balance as at 31 December 2021	164,933
Total comprehensive income for the year	315,599
Distribution to Parent	(417,513)
Balance as at 31 December 2022	63,019

The attached notes 1 to 24 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 is owned by the Dubai Department of Finance (“DoF”) which is ultimately owned and controlled by the Government of Dubai. RTA is responsible for planning and executing the requirements of transport, roads, and traffic in the Emirate of Dubai, between Dubai and other Emirates of the UAE, and neighbouring countries in order to provide an effective and integrated transport system capable of serving the vital interests of the Emirate, which includes the Parking Business (“Parking Business”). RTA also encompasses public buses and taxis, marine transport, metro, tram, and licensing system. The Traffic and Roads Agency (“the Agency”) is not a separate legal entity and is one of the four divisions 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 parking fees and penalties.

In 2023, based on the Dubai Government’s direction and RTA’s senior management decision, RTA commenced an exercise to separate and list RTA’s Parking Business (the “Company” or “ParkingCo”) on the Dubai Financial Market (“DFM”) Stock Exchange in Dubai, UAE. The newly established entity Parkin Company PJSC (“Parkin”), is owned by Dubai Investment Fund (“DIF”), which is in turn wholly owned by the Government of Dubai. Therefore, Parkin is ultimately owned, controlled and held by the Government of Dubai through DIF prior to listing on the DFM.

Parkin anticipates to sell a certain percentage of its shares through an Initial Public Offering (“IPO”) on the DFM stock exchange (the “Transaction”). The legal status of Parkin is a Public Joint Stock Company (“PJSC”) incorporated on 29-December-2023 in the Emirate of Dubai in the Emirate of Dubai, UAE under Law no. (30) of 2023 issued by His Highness Sheikh Mohammed Bin Rashid Al Maktoum, the Ruler of Dubai. The registered address of Parkin is G+2, Old Headquarters, Umm Al Ramool, Marrakech Street, Dubai, UAE. The 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 2022 and 2021 and its financial performance for the years then ended. These carve-out financial statements are prepared to be included in the prospectus in connection with the proposed listing of Parkin on DFM.

The Parking Business offers convenient and cost-effective parking solutions for both residents and visitors in Dubai. ParkingCo is responsible for operating, overseeing, monitoring, inspecting, and enforcing parking services in public areas, such as on-street parking, off-street parking, multistorey car parks, and designated developer zones within Dubai. The parking fares are collected through various payment channels including RTA’s website, cash, nol cards, and Smart Applications.

2 BASIS OF PREPARATION

The carve-out financial statements for the years ended 31 December 2022 and 2021 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 carve-out 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 2021, which is the opening balance sheet date for the year ended 31 December 2021. The Company has applied IFRS standards effective for the year ended as of 31 December 2022 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 Accounting Standards Board (“IPSASB”).

The preparation of carve-out financial statements requires the use of certain critical accounting estimates. 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. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of complexity, or areas where assumptions and estimates are significant to the carve-out financial statements are disclosed in Note 5. These have been applied consistently for all periods presented.

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

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (continued)

These carve-out financial statements represent the historical operation of the Parking Business and have been prepared from the accounting records of RTA and reflect the cash flows, revenues, expenses, assets, and liabilities of the Parking 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 20. Further, employee benefits including the liability in respect of end of service benefits obligation only relates to employees who are directly attributable to the Parking Business. These liabilities are not legally transferred to the Parkin as of the date of the transaction and will only be transferred once the legality is completed.

These carve-out financial statements represent the historical operation of the ParkingCo and have been prepared from the accounting records of RTA and reflect the cash flows, revenues, expenses, assets, and liabilities of the Parking Business. The assets and liabilities of the Parking Business are included in these carve-out financial statements if the title of these assets and liabilities will be legally transferred upon formation of the Parkin.

Certain property and equipment and intangible assets as disclosed in Note 12 and Note 13 respectively are used in the ParkingCo's operations where the title will remain with the Parent and are not included in these carve-out financial statements and will not be included in subsequent financial statements upon formation of the Company and will be formed as part of the concession agreement with RTA. Further, employee benefits including the liability in respect of end of service benefits obligation only relates to employees who are directly attributable to Parking. These liabilities are not legally transferred to Parkin Company PJSC as of the date of the carve out financial statements and will only be transferred once the legality is completed. Since ParkingCo 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 performed certain corporate overhead functions for ParkingCo. These functions include, but are not limited to, executive oversight, legal, finance, marketing, customer services, information technology, human resources, and financial reporting. The costs of such services have been allocated to ParkingCo 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 ParkingCo been operating as a separate entity apart from RTA. The cost allocated for these functions is included in corporate allocation expenses in the carve-out statement of profit and comprehensive income for the historical periods presented. A complete explanation of the Company's relationship with RTA, together with the cost allocations, is included in Note 20 to the carve-out financial statements.

The Company utilises RTA's centralised processes and systems for cash management, payroll and purchasing. In the case of RTA, all business activity related cash deposits are received by cash accounts owned and managed by the Department of Finance. There are Parking related sweep accounts which are pooled into the Department of Finance and are used to fund the cash requirements of ParkingCo. As the sweep accounts are legally held by the Department of Finance, the sweep account cash balances are not included in the carve-out financial statements. The total net effect of the settlement of these transactions is reflected in the carve-out statements of cash flows as a financing activity as 'Distribution to Parent' and in the carve-out statement of financial position as 'accumulated net parent investment'. Any balance not swept to the cash pool account would be included in the carve-out financial statements to the extent the balance remains in an account in the legal name of the carve-out business.

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.

The carve-out financial statements have been prepared on a 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.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

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.

- IFRS 17 Insurance Contracts (effective from January 1, 2023).
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date not yet decided).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective from 1 January 2023).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (effective from 1 January 2023)
- Definition of Accounting Estimates (Amendments to IAS 8) (effective from 1 January 2023)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) (effective from 1 January 2023) and
- Annual Improvements to IFRS Standards 2018-2020 (effective date not yet decided)

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.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

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 are 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 to bringing 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 assets is calculated using straight-line method at rates calculated to reduce the cost of assets to the estimated residual value over their expected useful lives as follows:

Machinery and equipment	10 to 15 years
Motor vehicles	5 to 10 years
Office equipment and furniture	3 to 16 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 4.10.

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.

4.2 Intangible assets

Intangible assets consist of acquired parking operation systems, including Mobile Automatic Number Plate Recognition ("ANPR") systems.

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Intangible assets (continued)

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.

Intangible assets are amortised on a straight-line basis over their useful lives.

Parking operation systems

4-15 years

Intangible assets are assessed for impairment whenever there is an indication that the intangible assets may be impaired, refer to Note 4.10. 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.

Intangible assets under development represent expenditures on software for parking systems that are in the process of development which have not yet reached the stage of being available for use. Intangible assets under development are depreciated only when they are available for use.

4.3 Financial instruments

Financial assets and financial liabilities (financial instruments) are recognised 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 recognised 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 the operating cycle of the company otherwise these are classified as non-current.

The financial instruments are classified to be measured at Amortised 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 excluding staff advances and other advances. The Company's financial liabilities consist of trade and other payables.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Financial instruments (continued)

- Financial Instruments measured at amortised cost:
Financial assets held within a business model 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 amortised cost. The above Financial Assets and Financial Liabilities subsequent to initial recognition are measured at amortised cost using the Effective Interest Rate ("EIR") method Note 4.7.
- Financial Asset at Fair Value Through Other Comprehensive Income:
Financial assets are measured at fair value through other comprehensive income if these are within a business model 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 amortised 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 recognised 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 recognised 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 derecognised 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 derecognised and the consideration paid and payable is recognised in carve-out statement of profit and comprehensive income.

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 revenue earned from parking fee paid through SMS, receivables from fines, and commissions for processing fees from 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 Note 4.

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.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 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.

4.5 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 date of carve-out statement of financial position. 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 expenses in the carve-out statement of profit and other comprehensive income.

4.6 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 recognised 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.

4.7 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.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 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 legally enforceable right is not contingent on anything.

4.9 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 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 their nature and characteristics.

4.10 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 cash generating unit's ("CGU") 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Impairment of non-financial assets (continued)

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.

4.11 Impairment of financial assets

Credit-impaired financial assets

At each reporting date, the Company assesses whether a financial asset carried at amortised 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 Expected Credit Loss ('ECL'). 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 21, that is based on recovery data from 2018 adjusted for forward-looking factors and the time value of money.

The Company considers a financial asset to be in default when:

- The debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- The financial asset is due more than its default definition.

Below are the default definitions for trade and other receivables

Fines receivables	395 days past due
Receivables from telecom operators	90 days past due
Other receivables	90 days past due

Exposures within each credit risk grade are segmented based on the risk for the customers. An ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past years. These rates are adjusted by the macroeconomic factors to reflect forward-looking ECL rates. The Company has applied an average of the change in GDP% and the change in the population of UAE as macroeconomic factors.

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.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Impairment of financial assets (continued)

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 recognised when the Company has no reasonable expectations of recovering a financial asset either in its entirety or a portion thereof. For all trade receivables write-offs occur five years after the credit period, which is the estimated useful life of a customer.

4.12 Leases

The Company has entered into various agreements with city developers to lease and operate parking areas. Rental contracts are typically made for fixed periods of 3 to 10 years but may have early termination and extension options.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets, or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the carve-out statement of income. Short-term leases are leases with a lease term of 12 months or less. low-value assets generally comprise of vehicles.

Company as a lessee – Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Company as a lessee – Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Revenue recognition

The Company recognises revenue, based on the five-step model.

Step 1: Identify the contract(s) 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 to be met.

Step 2: Identify the performance obligations in the contract

A performance obligation is a promise in a contract with a customer to transfer a good or provide a service to the customer.

Step 3: Determine the transaction price

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring 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 Company will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Company satisfies a performance obligation and recognises revenue over time if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as and when the Company performs;
- The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time when the performance obligation is satisfied.

Principal versus agent

When more than one party is involved in a transaction for providing goods or services to a customer, the Company is required to determine whether it acts as a principal or an agent.

The Company acts as a principal if it controls a promised good or service before transferring it to the customer. The Company is an agent if its role is to arrange for another entity to provide the goods or services. The factors considered in making this assessment are most notably whether the Company has discretion in establishing the price for the specified good or service, whether the Company is primarily responsible for fulfilling the promise to deliver the service or good.

Where the Company is acting as a principal, revenue is recorded on a gross basis. Where the Company is acting as an agent revenue is recorded as a net amount reflecting the margin earned. The Company has determined it acts as a principal for each of its revenue streams for the years ended 31 December 2022 and 31 December 2021.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Revenue recognition (continued)

Revenue is recognised in the carve-out financial statements to the extent that it is probable the at the economic benefit will flow to the Company and the revenue and cost, if and when applicable, can be reliably measured. Revenue represents the amounts received from parking and related activities.

Revenue is recognised from the Company's activities as follows:

(a) *Public parking fee*

Revenue from public parking fares is recognised at a point in time when the parking ticket is issued. The transaction price is fixed based on the parking fares determined by the Dubai Executive Council and is typically paid upfront by the customer. Each time a parking ticket is issued to the customer to park their vehicle represents a distinct performance obligation. The parking fares are paid through various payment methods by using cash or card through parking meters, NOL cards, SMS, and RTA Smart applications.

Additionally, the RTA app has a dedicated wallet for parking. The amounts loaded in the dedicated wallet balance are recognised as a liability till the balance is utilized to pay the parking fare.

Public parking fees can be split into 3 categories as follows:

- On-street/Off-street public parking fees: Revenue from on-street/off-street public parking fees paid by customers.
- Multistorey Parking Buildings: Revenue from parking fares in multistorey parking buildings operated and managed by the Company and owned by RTA.
- Developer: The parking fares for parking spaces in developer locations.

(b) *Fines*

Revenue from fines on UAE registered vehicles is recognised at a point in time when the violation of the use of parking space resulting in the penalty takes place. For fines within UAE, a receivable is recognised when the fine is issued to the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Whereas fines levied on vehicles registered in other countries are recognised as revenue when collected due to the limited enforceability of these fines and result in a significantly diminished probability of successful collection. The transaction price is the fines determined by RTA for different violations.

(c) *Permits and seasonal cards*

Revenue from the sale of permits and seasonal cards is recognized over time during the tenure of the permit or seasonal card. The transaction price is paid upfront being the fixed fee for a seasonal card or permit and the application processing fee (if any). The obligation to provide seasonal cards and permits for the right to park vehicles at the parking spaces by RTA for a specified duration is a distinct service to the customers. Processing of the application for permits does not provide any additional distinct benefit to the customers. Hence, the only performance obligation identified is the right to use a designated parking space for the tenure of a seasonal card or permit.

(d) *Reservations*

Revenue from reservation of parking spaces is recognised over time during the tenure of the reservation. The transaction price is paid upfront being the fixed fee for a reservation and the application processing fee (if any). The obligation to reservation for the right to park vehicles at the parking spaces by RTA for a specified duration is a distinct service to the customers. Processing of the application for reservations does not provide any additional distinct benefit to the customers. Hence, the only performance obligation identified is the right to use a designated parking space for the tenure of a reservation.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Revenue recognition (continued)

(e) Other services

Revenue from other parking services mainly includes income earned from third parties operating shops and spaces in RTA owned Multistorey Parking Buildings and fixed fees received from third party operators operating RTA owned Multistorey Parking Buildings. Revenue from other services is recognised on a straight-line basis over the term of the contract. A receivable is recognised alongside the revenue recognition as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

For all the above revenue streams, the Company is acting as the principal.

4.14 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.

4.15 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.

4.16 Rounding of amounts

All amounts included in the carve out financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

4.17 Segment reporting

For management purposes, the Company is organised into one segment, which is the Parking Business. Accordingly, the Company only has one reportable segment reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Management monitors the operating results of the business as a single unit for the purpose of making decisions about resource allocation and performance assessment. The chief operating decision maker consists of the head of the Parking department. Historically, the Company's performance was monitored and managed as part of the Transport and Roads Agency which formed part of RTA.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

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, cost, or revenue. Management believes that this basis for allocation of expenses is reasonable.

In addition to the corporate allocations, the management has estimated the direct operational and maintenance costs from various departments within RTA and TRA, which form part of the carve-out financial statements

A 100 basis point increase or decrease change in allocation percentages would result in approximately AED 12.7 million change in expense allocated to the Company for the year ended 31 December 2022 and AED 12.0 million change for the year ended 31 December 2021.

(b) Useful lives of property and equipment, right-of-use assets, and intangible assets

The Company's management determines the estimated useful lives of its property and equipment, right-of-use 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 charges would be adjusted where the management believes the useful lives differ from previous estimates.

(c) 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. Refer to Note 4.11 for further details. At every reporting date, the historically 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 the 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 fines and telecom operators were not material due to either no balances or an immaterial balance being past due, and due to positive forecasted economic conditions.

A 1% increase in the macro-economic factors would result in approximately AED 0.4 million change in the provision expense to the Company for the year ended 31 December 2022 and AED 0.3 million change for the year ended 31 December 2021. Further, a 1% decrease in the macroeconomic factors would result in approximately AED 0.4 million change in the expense for years ended 31 December 2022 and AED 0.5 million for 31 December 2021.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Critical Judgements in Applying the Company's Accounting Policies

The following are the critical judgments, 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.

(a) 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 further assessment.

(b) 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.

(c) Consideration of significant financing components in a contract

Customers are required to pay fees for permits, seasonal cards, and reservations upfront. 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 has determined that the usage of seasonal cards, permits, and reservations beyond a one-year period from the date of purchase is unlikely. Consequently, the financing component is deemed immaterial, and no further assessment or adjustment is necessary.

Roads and Transport Authority
(Parking Business)

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

6 REVENUE

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

	2022	2021
	AED'000	AED'000
<u>Recognised at a point in time:</u>		
Public parking fee		
<i>On-street/off-street parking</i>	300,600	266,426
<i>Developer parking fee</i>	46,339	40,826
<i>Multistorey parking building fees</i>	15,971	13,061
Fines	179,014	135,842
Total revenue recognised at a point in time	541,924	456,155
<u>Recognised over time:</u>		
Permits and seasonal cards	116,622	108,023
Parking reservations	18,315	17,593
Other services	9,381	8,795
Total revenue recognised over time	144,318	134,411
Total revenue	686,242	590,566

7 OTHER INCOME

	2022	2021
	AED'000	AED'000
Supplier penalties	476	209
Other income	241	84
	717	293

8 COMMISSION EXPENSE

	2022	2021
	AED'000	AED'000
Service Charges - Telecom operators*	22,551	20,495
Service Charges – Other agencies	2,454	1,931
	25,005	22,426

*Service Charges from telecom operators include the commission payment for collection of parking fees on behalf of the Company. Additionally, the share of the SMS convenience fee received by RTA from telecom operators of AED 8,492 thousand (2021: AED 7,666 thousand) has been netted off from the commission expense.

Roads and Transport Authority
(Parking Business)

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

9 OTHER EXPENSES

	2022 AED'000	2021 AED'000
Operation expenses*	34,092	32,216
Miscellaneous expenses	1,996	1,810
	<u>36,088</u>	<u>34,026</u>

*Operation expenses comprise of recharges by RTA for the assets utilised by the Company but not recognised as Property and equipment or intangible assets (Refer to Notes 12 and 13). These amount to AED 23.75 million for the year ended 31 December 2022 and AED 16.65 million for the year ended 31 December 2021. Further, the operation expenses include vehicle utilisation costs for leased and owned vehicles of AED 4.9 million and AED 4.6 million for the years ended 31 December 2022 and 31 December 2021 respectively. Refer to Note 20 for further details.

10 EMPLOYEE BENEFITS EXPENSE

	2022 AED'000	2021 AED'000
Salaries and wages	110,982	106,176
Other benefits and allowances	18,554	22,316
End of service benefits	6,316	6,187
	<u>135,852</u>	<u>134,679</u>

11 DEPRECIATION AND AMORTISATION

	2022 AED'000	2021 AED'000
Depreciation on property and equipment (Note 12)	13,728	13,065
Depreciation on right-of-use assets (Note 14)	5,162	5,700
Amortisation on intangible assets (Note 13)	1,725	1,631
	<u>20,615</u>	<u>20,396</u>

Roads and Transport Authority
(Parking Business)

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

12 PROPERTY AND EQUIPMENT

	Machinery & Equipment AED'000	Motor vehicles AED'000	Office Equipment & Furniture AED'000	Capital Work-In- Progress AED'000	Total AED'000
31-Dec-2022:					
Cost:					
As at 1 January 2022	201,639	577	7,113	134	209,463
Additions	226	124	48	63	461
Adjustments	1	-	-	-	1
Retirement	(45,647)	-	-	-	(45,647)
Transfers	-	-	-	(80)	(80)
As at 31 December 2022	156,219	701	7,161	117	164,198
Accumulated depreciation:					
As at 1 January 2022	149,172	252	6,648	-	156,072
Depreciation charge for the year	13,319	95	314	-	13,728
Retirements	(39,750)	-	-	-	(39,750)
As at 31 December 2022	122,741	347	6,962	-	130,050
Net carrying amount:					
As at 31 December 2022	33,478	354	199	117	34,148

Roads and Transport Authority
(Parking Business)

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

12 PROPERTY AND EQUIPMENT (Continued)

31-Dec-2021:

Cost:	Machinery & Equipment AED'000	Motor vehicles AED'000	Office Equipment & Furniture AED'000	Capital Work-In- Progress AED'000	Total AED'000
As at 1 January 2021	191,885	393	6,832	792	199,902
Additions	10,084	184	291	41	10,600
Adjustments	(330)	-	(1)	-	(331)
Retirement	-	-	(4)	-	(4)
Transfers	-	-	(5)	(699)	(704)
As at 31 December 2021	201,639	577	7,113	134	209,463

Accumulated depreciation:

As at 1 January 2021	136,453	181	6,377	-	143,011
Depreciation charge for the year	12,719	71	275	-	13,065
Retirements	-	-	(4)	-	(4)
As at 31 December 2021	149,172	252	6,548	-	156,072

Net carrying amount:

As at 31 December 2021	52,467	325	465	134	53,391
As at 1 January 2021	55,432	212	455	792	56,891

Land, multistorey parking buildings, signages, parking lots (including fixtures such as streetlights and benches), building fixtures, security cabins, building security equipment, and IT network equipment represents assets that are dedicated for Company's operation, however, the title of these will remain with Parent. The Company is in the process of entering into a concession agreement with RTA wherein, rights will be provided to the Company to use these assets against a concession fee. Accordingly, these assets are not included in the current and will not be included in the future financial statements of the Company.

Property and equipment includes assets that are fully depreciated but still in use. The cost of these assets is AED 20.46 million as at 31 December 2022 and AED 18.85 million as at 31 December 2021.

Roads and Transport Authority
(Parking Business)

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

13 INTANGIBLE ASSETS

The cost and amortisation of the intangible assets is as follows for the years ended 31 December:

	Parking operation systems AED '000	Intangible assets under development AED '000	Total AED '000
Cost			
As at 1 January 2022	26,888	3,198	30,086
Additions	1,575	461	2,036
As at 31 December 2022	28,463	3,659	32,122
Accumulated amortisation			
As at 1 January 2022	19,011	-	19,011
Charge for the year	1,725	-	1,725
As at 31 December 2022	20,736	-	20,736
Net carrying amount			
As at 31 December 2022	7,727	3,659	11,386
	Parking operation systems AED '000	Intangible assets under development AED '000	Total AED '000
Cost			
As at 1 January 2021	24,525	3,198	27,723
Additions	2,363	-	2,363
As at 31 December 2021	26,888	3,198	30,086
Accumulated amortisation			
As at 1 January 2021	17,380	-	17,380
Charge for the year	1,631	-	1,631
As at 31 December 2021	19,011	-	19,011
Net carrying amount			
As at 31 December 2021	7,877	3,198	11,075

Intangible assets under development are not amortized until they become available for use.

Management did not identify any indicators of impairment for intangible assets in the years ended 31 December 2022 and 2021.

Certain software licenses for IT equipment are dedicated to Company's operation, however, the title of these will remain with Parent. The Company is in the process of entering into a concession agreement with RTA wherein, rights will be provided to the Company to use these assets against a concession fee. Accordingly, these assets are not included in the current and will not be included in the future financial statements of the Company.

Roads and Transport Authority
(Parking Business)

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

13 INTANGIBLE ASSETS (continued)

Intangible assets include assets that are fully depreciated but still in use. The cost of these assets is AED 11.79 million as at 31 December 2022 and AED 8.55 million as at 31 December 2021.

14 LEASES

The Company has entered into agreements with multiple developers to operate and manage parking spaces within different areas. Certain agreements contain a lease in accordance with the lease definition of IFRS 16. The Company also enters into service agreements for leasing vehicles.

Information about leases for which the Company is a lessee is presented below:

Right-of-use assets

31 December 2022:	2022 AED'000
Cost	
As at 1 January	27,308
Additions	-
As at 31 December	27,308
Accumulated amortisation	
As at 1 January	5,700
Charge for the year	5,162
As at 31 December	10,862
Net carrying amount	16,446

31 December 2021:	2021 AED'000
Cost	
As at 1 January	27,308
Additions	-
As at 31 December	27,308
Accumulated amortisation	
As at 1 January	-
Charge for the year	5,700
As at 31 December	5,700
Net carrying amount	21,608

Roads and Transport Authority
(Parking Business)

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

14 LEASES (continued)

Lease Liabilities

Lease liabilities included in the statement of financial position at:

	31 Dec 2022 AED'000	31 Dec 2021 AED'000	01 Jan 2021 AED'000
Lease liabilities – current	3,745	5,030	4,958
Lease liabilities – Non-current	13,575	17,320	22,350
	<u>17,320</u>	<u>22,350</u>	<u>27,308</u>

Maturity analysis – contractual undiscounted cash flows:

	2022 AED'000	2021 AED'000
Less than one year	4,000	5,350
One to five years	13,000	16,000
More than five years	1,000	2,000
Total undiscounted lease liabilities as at 31 December	<u>18,000</u>	<u>23,350</u>

Amount recognised in profit or loss

	2022 AED'000	2021 AED'000
Finance cost on lease liabilities	320	392
Depreciation on right-of-use asset	5,162	5,700
Variable lease payments not included in the measurement of lease liabilities	11,390	10,785
	<u>16,872</u>	<u>16,877</u>

Amount recognised in the statement of cash flows

	2022 AED'000	2021 AED'000
Principal element of lease payments	(5,030)	(4,958)
Interest element of lease payment	(320)	(392)
	<u>(5,350)</u>	<u>(5,350)</u>

Roads and Transport Authority
(Parking Business)

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

14 LEASES (continued)

Lease payments

Certain leases of developer parking areas contain variable lease payment based on the revenue generated from operating the parking facilities in such areas. Fixed and variable rental payments for the years ended 31 December were as follows:

	2022 AED'000	2021 AED'000
Fixed payments in relation to lease liabilities	5,350	5,350
Variable payments	11,390	10,785
	<u>16,740</u>	<u>16,135</u>

15 TRADE AND OTHER RECEIVABLES

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

	31-Dec-2022 AED'000	31-Dec-2021 AED'000	1-Jan-2021 AED'000
Fines receivables	112,412	102,556	113,330
Telecom receivables	128,841	192,899	61,429
Less: loss allowance on fines and receivables from telecom operators	(22,839)	(33,315)	(31,157)
	218,414	262,140	143,602
Police receivables	8,110	8,600	3,148
Other receivables	1,017	7,198	7,871
Staff advances and other advances	139	44	329
	<u>227,680</u>	<u>277,982</u>	<u>154,950</u>

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

There is no allowance for expected credit losses or impairment incurred for trade and other receivables from Police receivables, other receivables, and staff advances, and other advances.

Roads and Transport Authority
(Parking Business)

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

15 TRADE AND OTHER RECEIVABLES (continued)

Movements in the loss allowance on receivables relating to telecom operators and fines for the years ended 31 December are as follows:

	31-Dec-2022 AED'000	31-Dec-2021 AED'000
Beginning balance as at 1 January	33,315	31,157
Write off during the year for fines	(7,990)	(7,160)
Impairment loss / (reversal of impairment loss) for fines receivables	5,765	(708)
(Reversal of impairment loss)/impairment loss for telecom receivables	(8,251)	10,026
Balance at the end of the year	<u>22,839</u>	<u>33,315</u>

The provision for impaired receivables has been included in "Reversal of impairment loss / (impairment loss) on trade receivables" in the carve-out statement of profit and other comprehensive income. Information about credit exposures is disclosed in Note 21. The Company writes off trade receivables 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. There is no contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity.

16 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the end of service provision for the year ended 31 December are as follows:

	31-Dec-2022 AED'000	31-Dec-2021 AED'000
As at 1 January	57,451	53,231
Expense for the year	6,316	6,187
Payouts during the year	(2,538)	(1,967)
As at 31 December	<u>61,229</u>	<u>57,451</u>

In accordance with IAS 19 (revised) 'Employee Benefits' management has carried out an exercise to assess the present value of its obligation as at 31 December 2022, 31 December 2021, and 01 January 2021 in respect of end of employees' end of service benefits payable under the Government of Dubai Human Resource management Law. The expected liability at the date of leaving the service has been discounted to its present value.

17 TRADE AND OTHER PAYABLES

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

	31-Dec-2022 AED'000	31-Dec-2021 AED'000	1-Jan-2021 AED'000
Trade payables	87,613	61,972	39,732
Payables to employees	2,417	2,517	2,001
Retentions payable	10	10	10
As at 31 December	<u>90,040</u>	<u>64,499</u>	<u>41,743</u>

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

18 CONTRACT LIABILITIES

As of 31 December 2022, 2021, and 01 January 2021, contract liabilities consisted of AED 40.80 million, AED 41.75 million, and AED 40.40 million respectively related to account balances paid in advance by the customer for seasonal public parking cards or temporary permits of parking access. Further, AED 4.47 million, AED 4.10 million, and AED 4.27 million represent advance payments collected from customers against parking spot reservation in public parking and multistorey parking building as of 31 December 2022, 2021, and January 2021 respectively. The remaining amount of AED 9.93 million, AED 7.12 million, and AED 5.02 million relate to amounts deposited by customers in the RTA Parking Wallet application as of 31 December 2022, 2021, and 01 January 2021 respectively.

As of 31 December 2022, 2021, and 01 January 2021 contract liabilities of AED 40.80 million, AED 41.75 million, and AED 40.40 million respectively, arising from seasonal cards and permits will be recognised as revenue in the next one year. Further, as of 31 December 2022, 2021, and 01 January 2021 contract liabilities of AED 4.47 million, AED 4.10 million, and AED 4.27 million respectively, arising from parking spot reservations will be recognised as revenue in the next one year.

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

	2022 AED'000	2021 AED'000
Beginning balance as at 1 January	52,973	49,691
Add: Collection from permits and seasonal cards	115,673	109,369
Add: Collection from wallet application	43,872	28,656
Add: Collection from reservations	18,682	17,428
Less: Revenue recognised from permits and seasonal cards from current year collection	(77,378)	(70,117)
Less: Revenue recognised from permits and seasonal cards from prior years collection	(39,244)	(37,906)
Less: Revenue recognised from wallet application from current year collection	(33,939)	(21,535)
Less: Revenue recognised from wallet application from prior years collection	(7,122)	(5,020)
Less: Revenue recognised from reservations from current year collection	(14,211)	(13,324)
Less: Revenue recognised from reservations from prior years collection	(4,104)	(4,269)
As at 31 December	<u>55,202</u>	<u>52,973</u>

Revenue recognised that was included in the permits and seasonal cards contract liability beginning balance for the year ended 31 December 2022 amounted to AED 39,244 thousand (2021: 37,906 thousand).

Revenue recognised that was included in the wallet application contract liability beginning balance for the year ended 31 December 2022 amounted to AED 7,122 thousand (2021: 5,020 thousand).

Revenue recognised that was included in the reservations contract liability beginning balance for the year ended 31 December 2022 amounted to AED 4,104 thousand (2021: 4,269 thousand).

Roads and Transport Authority
(Parking Business)

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

19 PROVISIONS

The Company has recognised a provision for the amounts due to the developers in accordance with parking operation agreements.

	2022 AED'000	2021 AED'000
As at 1 January	1,850	1,100
Expense for the year	1,000	750
As at 31 December	<u>2,850</u>	<u>1,850</u>

20 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties include the ultimate controlling party, the shareholder, key management personnel, subsidiaries, joint venture, directors, and businesses that are controlled directly or indirectly by the ultimate controlling party, or directors or over which they exercise significant management influence. Related parties comprise the Government of Dubai, the Parent, and the Parent's fellow agencies. The Company, in the normal course of business, receives services from related parties. These transactions comprise services availed by the Company from the various agencies 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 the Parent.

Following are the significant transactions with the related parties:

RTA assets used by the Company – Land for on-street parking spaces, off-street parking lots, and multistorey parking buildings are owned by the Parent. These lands are being used by the Company free of charge.

The corporate building and warehouse are shared by the Company and other agencies/departments of RTA. Also, multistorey parking buildings, signages, parking lots (including fixtures such as streetlights and benches), building fixtures, security cabins, building security equipment, IT network equipment, and software for IT equipment represent assets that are dedicated to the Company's operation, however, the title of these will remain with Parent. The Company has recognised an expense for utilisation of these assets. Refer Note 9 for further details.

Further, certain multistorey parking structures include integrated bus stations within the same premises. The Company does not charge the related party for the integrated bus stations.

Road and building maintenance – The road and building maintenance services are provided directly by the Parent's fellow agencies in the amounts of AED 17.6 million and AED 12.0 million for the years ended 31 December 2022 and 2021, respectively. These are included in the maintenance expenses.

Information Technology Services maintenance: The maintenance in regards to parking software, and parking machines is directly incurred by Parent's fellow agencies in the amount of AED 6.6 million for each of the years ended 31 December 2022 and 2021. These are included in the maintenance expenses.

Vehicle utilisation – The Company utilised leased and owned vehicles that were provided by the Parent in the amounts of AED 4.9 million and AED 4.6 million for the years ended 31 December 2022 and 2021, respectively. These are included in Other expenses (Note 9).

Health insurance – The Parent has incurred insurance expenses of AED 10.6 million and AED 11.6 million for employees of the Company for the years ended 31 December 2022 and 2021, respectively. These are included in employee benefits expense (Note 10).

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

20 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Corporate costs allocation – The Company has been allocated expenses from the Parent in the amounts of AED 110.8 million and AED 105.7 million for the years ended 31 December 2022 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, the allocated key management compensation is in the amount of AED 4 million for each of the years ended 31 December 2022 and 31 December 2021. These are intended to represent the costs of providing these services, and management believes the allocation methods are reasonable. However, the actual cost of obtaining these individual services, if the Company were a stand-alone company, could be materially different. The cost of the services provided by RTA and TRA was determined by the most relevant allocation method, primarily by relative percentage of headcount or revenue or expenditure. 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 parking business is deposited and comingled with Parent's general corporate funds. The Company does not have the 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.

	31-Dec-2022 AED'000	31-Dec-2021 AED'000
Cash pooling and general activities	(528,312)	(236,730)
Corporate allocation	110,799	105,741
	<u>(417,513)</u>	<u>(130,989)</u>
Net distribution to Parent		

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise, trade and other payables. The Company's principal financial assets comprise trade and other receivables excluding staff advances and other advances. 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 Company'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 a 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.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 telecom operators. 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.

Impairment of trade receivables from fines

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.

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

As at 31 December 2022:	Expected credit loss %	Gross carrying amount AED'000	Loss allowance AED'000
Current – 395 days	4%	72,161	2,994
395 and above	42%	40,251	17,055
Total		112,412	20,049

As at 31 December 2021:	Expected credit loss %	Gross carrying amount AED'000	Adjusted Loss allowance AED'000
Current – 395 days	6%	57,921	3,362
395 and above	42%	44,635	18,912
Total		102,556	22,274

As at 1 January 2021:	Expected credit loss %	Gross carrying amount AED'000	Adjusted Loss allowance AED'000
Current – 395 days	13%	60,631	7,814
395 and above	42%	52,699	22,329
Total		113,330	30,143

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Impairment of trade receivables from telecom operators

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.

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

As at 31 December 2022:	Expected credit loss	Gross carrying amount	Loss allowance
	%	AED'000	AED'000
Current – 90 days	0.01%	100,969	2
91 days – 360 days	10%	16,087	1,609
361 days and above	10%	11,785	1,179
Total		128,841	2,790

As at 31 December 2021:	Expected credit loss	Gross carrying amount	Adjusted Loss allowance
	%	AED'000	AED'000
Current – 90 days	0.01%	82,517	3
91 days – 360 days	10%	86,842	8,684
361 days and above	10%	23,540	2,354
Total		192,899	11,041

As at 1 January 2021:	Expected credit loss	Gross carrying amount	Adjusted Loss allowance
	%	AED'000	AED'000
Current – 90 days	0.10%	51,665	37
91 days – 360 days	10%	8,687	869
361 days and above	10%	1,077	108
Total		61,429	1,014

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.

All balances are due within 12 months and equal to their carrying balances as the impact of discounting is not significant with the exception of lease liabilities which is disclosed in Note 14. As on 31 December 2022, 31 December 2021, and 01 January 2021, the Company does not face a significant liquidity risk on these balances.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

Impairment of police receivables and other receivables

The balances due from police receivables and other receivables are subject to the impairment requirement of IFRS 9. As at 31 December 2022 and 2021, the Company has not recorded any impairment loss on these balances as the identified impairment loss is not material.

22 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.

23 UAE CORPORATE TAX

On 9 December 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 regime in the UAE. The Law was previously gazetted on 10 October 2022, becoming law 15 days later and enforceable as at 16 January 2023. The Corporate Tax regime will become effective for accounting periods beginning on or after 1 June 2023. Generally, UAE businesses will be subject to a 9% corporate tax rate, while a rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance).

However, there are a number of significant decisions that are yet to be finalised by way of a Cabinet Decision, including the threshold mentioned above, that are critical for entities to determine their tax status and the amount of tax due. Therefore, pending such important decisions by the Cabinet, the Company has determined that the Law was not practically operational as at 31 December 2022, and so not enacted from the perspective of IAS 12 – Income Taxes until 16 January 2023. The Company is currently in the process of assessing the possible impact on its financial statements, both from current and deferred tax perspective.

24 APPROVAL OF THE CARVE-OUT FINANCIAL STATEMENTS

The carve-out financial statements were approved by the Board of Directors of Roads and Transport Authority on 10 January 2024 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