Roads and Transport Authority – Parking Business

Unaudited Pro-forma financial information as at and for the year ended 31 December 2023

Roads and Transport Authority - Parking Business

UNAUDITED PRO-FORMA STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Carve-out financial statements	*Notes*	*Pro-forma adjustments*	*Unaudited pro-forma information*
	AED' 000		**AED' 000**	**AED' 000**
Revenue	779,379		-	779,379
Other income	570		-	570
Concession fee expense	-	2.1	(105,968)	(105,968)
Commission expense	(28,116)		-	(28,116)
Maintenance expense	(27,593)	2.2	11,203	(16,390)
Variable lease payments	(13,597)		-	(13,597)
Other expenses	(26,058)	2.1, 2.3	14,708	(11,350)
Employee benefits expense	(139,250)		-	(139,250)
Depreciation and amortisation	(19,375)	2.1	(28,571)	(47,946)
Corporate allocation expense	(121,157)	2.2	121,157	-
Impairment loss on trade receivables	(9,813)		-	(9,813)
Finance expense	(900)	2.5	(65,955)	(66,855)
Rent expense	-	2.6	(500)	(500)
Transitional Service Agreement expense	-	2.2	(12,394)	(12,394)
Profit for the year	**394,090**		**(66,320)**	**327,770**
Other comprehensive income	**-**		**-**	**-**
Total comprehensive income for the year	**394,090**		**(66,320)**	**327,770**

The attached notes 1 to 3 form part of these unaudited pro-forma financial information.

UNAUDITED PRO-FORMA STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Carve-out financial statements	Notes	*Pro-forma adjustments*	*Unaudited Pro-forma information*
	AED' 000		**AED' 000**	**AED' 000**
ASSETS				
Non-current assets				
Property and equipment	26,902		-	26,902
Intangible assets	9,329	2.1	1,400,000	1,409,329
Right of use asset	25,073		-	25,073
	61,304		1,400,000	1,461,304
Current assets				
Trade and other receivables	190,927		-	190,927
Receivable from related party	-	2.4	37,413	37,413
VAT receivable	-	2.1	55,000	55,000
Cash and cash equivalents	-	2.4, 2.5, 2.8, 2.9	118,459	118,459
	190,927		210,872	401,799
Total asset	**252,231**		**1,610,872**	**1,863,103**
Liabilities				
Non-current liability				
Long term financing	-	2.5	1,097,250	1,097,250
Provision for employees' end of service benefits	54,356	2.4	(19,027)	35,329
Lease liabilities	21,644		-	21,644
	76,000		1,078,223	1,154,223
Current liabilities				
Payable to related party	-	2.1	355,000	355,000
Lease liabilities	5,537		-	5,537
Trade and other payables	96,627	2.7	(70,708)	25,919
Contract liabilities	61,459		-	61,459
	163,623		284,292	447,915
Total liabilities	**239,623**		**1,362,515**	**1,602,138**
Equity				
Accumulated net parent investment	12,608		188,357	200,965
Paid-in capital	-	2.9	60,000	60,000
	12,608		248,357	260,965
Total liabilities and equity	**252,231**		**1,610,872**	**1,863,103**

These unaudited pro-forma financial information were approved by the Board of Directors of Roads and Transport Authority on 19/02/2024 and signed on its behalf by:

Director General
Chairman of the Board of Executive Directors

CEO
Corporate Administrative Support Service

The attached notes 1 to 3 form part of these unaudited pro-forma financial information.

1. Financial information of Road and Transport Authority – Parking Business ('ParkingCo' or the 'Company')

The historical financial information about ParkingCo as at and for the year ended 31 December 2023, included in the unaudited pro-forma financial information has been derived from Road and Transport Authority (Parking Business) carve-out financial statements as at and for the year ended 31 December 2023.

The unaudited pro-forma financial information gives effect to the Pre-Offering Transactions and Contractual Arrangements (the "Transactions"), as described below, as if they had occurred from 1 January 2023 to 31 December 2023 for the purposes of the unaudited pro-forma statement of profit or loss and other comprehensive income and as at 31 December 2023 for the purposes of the unaudited pro-forma statement of financial position.

The unaudited pro-forma financial information is presented for illustrative purposes only and is not intended to represent or to be indicative of the results of operations or financial position that would have been reported by the Company had the Transactions occurred as of the dates indicated or what the financial position or results of operations would be for any future period.

The unaudited pro-forma financial information is prepared in accordance with the estimates, assumptions and judgements as described in the accompanying notes 1 to 3 (the "Applicable Criteria") and gives effect to the pro-forma adjustments that are (i) directly attributable to the Transactions; ii) expected to have a continuing impact on the financial results of operations of ParkingCo; and iii) factually supportable.

The unaudited pro-forma financial information is presented in United Arab Emirates Dirham ("AED"), which is ParkingCo's functional and presentation currency.

Pre-Offering Transactions and Contractual Arrangements:

- **Parking Concession Contract ("Concession Agreement")**
  On 5 February 2024, Parkin Company P.J.S.C ("Parkin") entered into a Parking Concession Agreement effective 1 January 2024 with Road and Transport Authority ("RTA"), pursuant to which RTA grants some of its mandates and powers under 2016 Parking Regulations (No. 5 of 2016) ***(the 2016 Parking Law)***, regarding the operation, management, and supervision of parking facilities in Dubai. The Concession Agreement grants Parkin the right to charge parking fees and parking user charges generated by the parking facilities. RTA will also grant the right to use real estate assets used in the public parking operations and ownership rights over assets used in public parking operations. In exchange, Parkin made an upfront concession payment and is obligated to make a deferred payment, due on insolvency of Parkin to RTA. Further, Parkin will pay a variable concession fee based on a percentage of the parking revenues quarterly.

  Under the same agreement, RTA will reimburse to Parkin an amount equivalent to the end-of-service related benefits (including accrued end-of-service gratuity and leave balances) due as at the date of transfer, for the employees that will be transferred to Parkin.

  Furthermore, as part of the carve-out activity, out of a total of 487 employees, RTA has earmarked 326 employees from parking business and 2 other employees to be transferred from RTA to Parkin, effective 1 February 2024. The management of Parkin plans to recruit additional employees in 2024. However, pending finalization of the details, no adjustments have been reflected in the unaudited pro-forma statement of profit or loss and other comprehensive income regarding employee benefit expenses.

- **Transitional Services Agreement ("TSA")**
  On 5 February 2024, RTA entered into a Transitional Services Agreement with Parkin effective 1 January 2024 wherein RTA shall provide services to Parkin for an interim period of up to 24 months, as defined under the TSA, for the performance of certain operations and back-office functions such as information technology (IT), administration, marketing, and communication in accordance with the TSA. In exchange, Parkin will make an annual payment of AED 12.39 million to RTA.

  The services to be provided under the TSA include the following:

  - Security & Monitoring (SMD) - Information security, data leak prevention, etc.
  - Human Resources – Talent acquisition, talent development, managing employee relations, and handling employee complaints/grievances.

- Administration services – Execution support for vehicle management, renewal of visa and other travel services for employees and their families, document management/archiving and support for general services e.g. building security, employee IDs and access cards, office telephones, office boys, catering/kitchen supplies, stationary).
- Customer happiness function services – Access to customer happiness centers, contact center support, maintaining service catalogues, and designing customer experiences as well as managing Customer Relationship Management (CRM), customer relations, Master Data Management (MDM), and golden records.
- Marketing and corporate communications – Managing marketing campaigns and all media communications.
- Procurement – Provision of all necessary insurance contracts and space in warehouse.
- Smart Services Department – Hosting parking services on RTA portal, RTA App, Dubai Drive, WhatsApp, etc.
- Information Technology (IT) - IT infrastructure and end-user support
- Intelligent Traffic Systems (ITS) – Support to updated Geographic Information System (GIS) and for parking projects under development.
- Rental for parking in the metro station – Provide parking for vehicles at Al Rashidiya metro station.
- Human Resources – Support with recruitment, payroll processing, and training programs.
- Finance – Support with accounting and financial reporting

- **Appointment of the Board of Directors ('the Board') and Senior Management for Parkin Company P.J.S.C**

  On 30 December 2023, His Highness Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, Crown Prince of Dubai, and Chairman of The Executive Council of Dubai, issued Executive Council Resolution No. (121) of 2023, forming the Board of Directors of Parkin. The Board consists of 7 members (Chairman, Vice-Chairman, and 5 Board members). The remuneration for the Board of Directors has yet to be determined, hence its impact is not reflected in the pro-forma financial statement.

  Further, Mohammad Al Ali has been appointed as the Chief Executive Officer with effect from 11 January 2024. Osama Al Safi as the Chief Operating Officer, and Khattab Abou Qaoud as the Chief Financial Officer for Parkin with effect from 12 January 2024.

- **Term Financing and Revolving Credit Facilities Agreement**

  On 26 January 2024, Parkin entered into a 5-year financing arrangement with Emirates NBD Bank PJSC for a Murabaha term facility of AED 1,100 million and a Murabaha revolving credit facility of AED 100 million (hereinafter together referred to as 'Facilities') for the purpose of making an upfront payment to RTA under the Concession Agreement, for making dividend payment to RTA, and for general corporate funding purposes.

- **Office Lease Agreement**

  Parkin entered into a lease agreement for the office premises with RTA, for a period of one year commencing from 1 January 2024. Parkin may terminate the lease agreement, without any penalty, at any time during the term of the agreement by giving not less than two months' notice to the lessor.

- **Outsourcing Agreement**

  Parkin entered into an Outsourcing Agreement for a period of one year to obtain services covering key back-office functions such as finance and contracts & procurement.

- **Share capital**

  The share capital of Parkin of AED 60 million, comprising of 3,000,000,000 shares of AED 0.02 each, was paid up on 31 January 2024.

- **Transfer of payables**
  Effective 1 January 2024, selected contracts with developers and vendors involved with the parking business were novated to Parkin.

- **Transfer of contract liabilities**
  On 5 February 2024, the Department of Finance (DoF) compensated Parkin with funds corresponding to contract liabilities in the carve-out financial statements. These represent the balances of prepaid seasonal cards, permits, and the balance in the dedicated app wallet that Parkin would service in future periods and for which the funds were collected by DoF previously.

2. Adjustments to unaudited pro-forma financial information

The unaudited pro-forma financial information is prepared in accordance with the following estimates, assumptions, and judgments. There can be no assurance that the assumptions used in the preparations of the unaudited pro-forma information will prove to be correct. Given the long-term nature and complexity of existing and new contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to expenses already recorded.

2.1 Parking Concession Contract

Parkin entered into a Concession Agreement with RTA for the transfer of rights to the public parking operations. The agreement grants Parkin the right to collect parking fees and parking user charges generated from public parking facilities. RTA also grants the right to use real estate assets used in public parking operations and ownership rights over assets used in public parking operations. The agreement term is 49 years unless terminated or extended as per the terms of the Concession Agreement. In exchange, Parkin will incur a one-time fixed concession charge of AED 1,400 million, comprising of an upfront concession payment of AED 1,100 million and a deferred payment of AED 300 million due on the insolvency of Parkin. In addition to this, Parkin will incur a variable concession fee of 20% of parking revenues (subject to certain adjustments) on a quarterly basis. Parking revenues are defined as the sum of

(a) the parking fees and parking user charges in respect of:
  (i) sideroad parking facilities;
  (ii) open areas parking facilities;
  (iii) self-operated multistorey parking facilities; and
(b) the consideration payable by the third-party operator to Parkin in respect of third-party operated multistorey parking facilities.

The adjustments include the recognition of an intangible asset of AED 1,400 million which represents the right under the Concession Agreement and is reported at cost less accumulated amortisation and accumulated impairment losses, in the unaudited pro-forma statement of financial position.

An adjustment is also recorded to recognise a VAT receivable of 55 million related to the upfront concession payment, in the unaudited pro-forma statement of financial position.

On 16 February 2024, Parkin made the upfront concession payment of AED 1,100 million to RTA. For the purpose of the unaudited pro-forma statement of financial position, cash and cash equivalents have been adjusted to reflect this payment.

An amount of AED 28.57 million has been recorded as amortisation expense on the intangible asset under the unaudited pro-forma statement of profit or loss and other comprehensive income which is derived based on a cost of AED 1,400 million of intangible asset which will be amortised over a period of 49 years. The adjustment reflects recognition of an amortisation expense related to the intangible asset, as if the Concession Agreement had been in effect from 1 January 2023.

Concession fee expense (20% of parking revenues) amounting to AED 105.97 million has been recorded in the unaudited pro-forma statement of profit or loss and other comprehensive income in accordance with the terms of the Concession Agreement, as if the Concession Agreement had been in effect from 1 January 2023.

Further, for the purpose of the unaudited pro-forma statement of profit or loss and other comprehensive income, an adjustment has been recorded to exclude the charge of AED 18.77 million relating to assets used by ParkingCo whose title rests with RTA, as Parkin will have no control over these assets during the concession period or thereafter.

2.2 Transitional Services Agreement ("TSA")

Historically, ParkingCo. was managed by the Traffic and Roads Agency which was not a separate legal entity but a division of RTA. The cost of the services provided by sectors and other agencies within RTA as well as other departments within Traffic and Roads Agency to ParkingCo, which are in the nature of corporate and shared costs allocated for the purpose of the preparation of carve-out financial statements of ParkingCo. have been reversed in the unaudited pro-forma statement of profit or loss and other comprehensive income. This adjustment includes corporate allocation costs which relate to but are not limited to, executive oversight, legal, finance, human resources, audit, strategic planning, and IT governance amounting to AED 121.16 million and maintenance expenses amounting to AED 11.20 million.

Parkin entered into a Transitional Services Agreement (the "TSA") with RTA, pursuant to which Parkin will pay RTA for the provision of services to be used in the transitional period (as agreed under the TSA), an annual service cost of AED 12.39 million excluding VAT. The adjustment to expenses reflects the amount that would have been paid by Parkin, as if the TSA had been in effect from 1 January 2023.

2.3 Outsourcing Agreement

Parkin entered into an Outsourcing Agreement for key back-office functions such as finance and contracts & procurement. The contract is for an initial period of one year. For the purpose of the unaudited pro-forma statement of profit or loss and other comprehensive income, an adjustment has been recorded to include the charge of AED 4.06 million relating to the Outsourcing Agreement, as if the Outsourcing Agreement had been in effect from 1 January 2023.

2.4 End-of-service benefit

For the purpose of the unaudited pro-forma statement of financial position, an adjustment has been recorded to reflect the reversal of AED 19.03 million equivalent to the end of services benefits liability for employees of the parking business earmarked not to be transferred to Parkin.

Further, in accordance with the Concession Agreement, an amount equivalent to the end-of-service related benefits (including accrued end-of-service gratuity and leave balances) of the employees earmarked to be transferred to Parkin, has been committed by RTA. For the purpose of unaudited pro-forma statement of financial position, an adjustment of AED 37.41 million has been recorded reflecting the amount payable by RTA to Parkin.

2.5 Term Financing and Revolving Credit Facilities Agreement

For the purpose of the unaudited pro-forma statement of financial position, an adjustment has been recorded reflecting the recognition of Murabaha term financing facility equivalent to AED 1,100 million, reduced by the upfront processing fee of AED 2.75 million.

The Facilities carry variable interest of 3-month EIBOR plus a margin of 0.80% p.a. The interest expense on term financing facility amounting to AED 65.71 million recorded under the heading 'finance expense' in the unaudited pro-forma statement of profit or loss and comprehensive income is determined based on the quarterly EIBOR rates as disclosed on the website of Central Bank of the UAE plus 0.80% p.a. margin as per the financing terms agreed with the bank.

Further, the commitment fee (0.25% p.a. calculated on the daily undrawn and available commitments, and payable quarterly in arrears) amounting to AED 0.25 million related to the Murabaha revolving facility has also been included under the heading 'finance expense' in the unaudited pro-forma statement of profit or loss and comprehensive income.

2.6 *Office lease Agreement*

Parkin entered into a lease agreement with RTA for the office building, for 1 year commencing from 1 January 2024. As per the terms of the lease agreement, Parkin pays AED 0.5 million as rent inclusive of maintenance, utilities consumption and soft services on an annual basis. For the purpose of the unaudited pro-forma statement of profit or loss and other comprehensive income, an adjustment has been recorded to reflect the rent expense as if the lease agreement had been in effect from 1 January 2023.

2.7 *Transfer of payables*

Effective 1 January 2024, selected contracts with developers and vendors involved with parking business were novated to Parkin. For the purpose of unaudited pro-forma statement of financial position, an adjustment of AED 70.71 million has been recorded reflecting the accruals and payables that have not been transferred from RTA to Parkin as the obligation towards those liabilities has been committed by RTA.

2.8 *Transfer of contract liabilities*

On 5 February 2024, the Department of Finance (DoF) compensated Parkin with funds equivalent to AED 61.46 million corresponding to contract liabilities in the carve-out financial statements. These represent the balances of prepaid seasonal cards, permits and the balance in the dedicated app wallet that Parkin would service in future periods and for which the funds were collected by DoF previously. For the purpose of unaudited pro-forma statement of financial position, an adjustment of AED 61.46 million has been recorded reflecting the receipt of funds.

2.9 *Share capital*

The share capital of Parkin of AED 60 million, comprising of 3,000,000,000 shares of AED 0.02 each, was paid up on 31 January 2024. For the purpose of the unaudited pro-forma statement of financial position, an adjustment has been recorded to include the capital injection of AED 60 million.

3. Approval of the unaudited pro-forma financial information

The unaudited pro-forma financial information were approved by the Board of Directors of Roads and Transport Authority on 19/02/2024 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.