

SALIK COMPANY P.J.S.C.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

SALIK COMPANY P.J.S.C.

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Page
Directors' report	1
Independent auditor's report	2 – 8
Statement of profit or loss and comprehensive income	9
Statement of financial position	10
Statement of cash flows	11 – 12
Statement of changes in equity	13
Notes to the financial statements	14 - 46

SALIK COMPANY P.J.S.C.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

The Board of Directors (the "Board") present their report together with the audited financial statements of Salik Company P.J.S.C. ("Salik" or the "Company") for the year ended 31 December 2023.

Board of Directors

The Board of Directors of the Company comprises:

Chairman: His Excellency Mattar Al Tayer
Vice chairman: Mr. Abdul Muhsen Ibrahim Kalbat
Members: Eng. Maitha Bin Adai
Mr. Mohammed Al-Mudharreb
Mr. Ibrahim Al Haddad (CEO)
Mr. Mohammed Abdulla Lengawi
Mr. Mohammad Alhawi

Principal activities

The principal activities of the Company are the operations and maintenance of the existing tollgates throughout Dubai, UAE and for the design and construction (including all the civil, electrical, gantry design and manufacturing, system integration, testing and commissioning) of new toll gates, including without limitation, the required tolling equipment, infrastructure and any interface requirements in relation to the new toll gates, but excluding the construction, operation and maintenance of the relevant toll roads.

Financial performance

During the year ended 31 December 2023, the Company reported a revenue of AED 2,109 million (2022: AED 1,892 million) and profit for the year was AED 1,098 million (2022: AED 1,326 million).

Dividends

During the year, the Company distributed semi-annual dividend of AED 547,927,219 to the shareholders, reflecting 100% of the Company's distributable profit for the first half of 2023.

On 4th March 2024, the Board of Directors proposed to distribute AED 550,035,000 dividend to the shareholders (7.3338 fils per share), reflecting 100% of the Company's distributable net profit for the second half of 2023 as per the Company's dividend policy. The proposed dividend is subject to approval by the shareholders at the Company's General Assembly Meeting in April 2024.

Statement of disclosure to auditors

To the best of our knowledge, the financial statements fairly present, in all material respects, the financial position, results of operations and cash flows of the Company for the year ended 31 December 2023.

for the Board of Directors

His Excellency Mattar Al Tayer
Chairman
Board of Directors
Salik Company P.J.S.C.
04 March 2024



Independent auditor's report to the shareholders of Salik Company P.J.S.C.

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Salik Company P.J.S.C. ("Salik" or "the Company") as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of profit or loss and comprehensive income for the year ended 31 December 2023;
- the statement of financial position as at 31 December 2023;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information 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 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 Company 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 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 Note 2 to the financial statements, which describes the fact that Salik Company P.J.S.C. was not incorporated as a standalone entity for the period up to 30 June 2022 and the assets and liabilities of the Salik Tolling Business were transferred from Roads and Transport Authority ("RTA") to the Company on 1 July 2022. Therefore, the comparative period ended 31 December 2022 includes the carve-out financial information of the historical operations of Salik Tolling Business within RTA for the period from 1 January 2022 to 30 June 2022 and the results of the operations of the Company from 1 July 2022 to 31 December 2022. We also draw attention to Note 2 to the financial statements, which details the basis of preparation and carve-out adjustments applied.

Our opinion is not modified in respect of this matter.



Independent auditor's report to the shareholders of Salik Company P.J.S.C. (continued)

Our audit approach

Overview

- Key Audit Matters
- Expected credit losses
 - Fines revenue recognition

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the Key audit matter

Expected Credit Losses

The statement of financial position has gross trade receivables of AED 301,192 thousand as at 31 December 2023, of which AED 284,066 thousand relates to receivable from fines. As at 31 December 2023, the Company has recorded a loss allowance of AED 177,827 thousand against these fines receivable.

The balance of loss allowance on fines receivable represents management's best estimate, as at 31 December 2023, of the expected credit losses under the expected credit loss model ("ECL Model" or "ECL") in compliance with International Financial Reporting Standard No. 9: Financial Instruments ("IFRS 9").

We obtained an understanding of management's assessment of the impairment of fines receivable, the Company's impairment provision policy and the ECL modelling methodology.

We performed the following substantive audit procedures over the recognition and measurement of ECL:

- We compared the Company's accounting policy and methodology for the calculation of its ECL allowance with the requirements of IFRS 9.
- We involved IT specialists to assist with the verification of the completeness and accuracy of data imported to the ECL model from the Company's Tolling application system.



Independent auditor's report to the shareholders of Salik Company P.J.S.C. (continued)

Our audit approach (continued)

Key audit matter

How our audit addressed the Key audit matter

Expected Credit Losses (continued)

Management applied the approach of using historical loss rates to estimate the required ECL, adjusted to reflect current and forward-looking information on macroeconomic factors.

The specific factors that management considered in the application of its ECL model included the age of the balance, recent historical payment patterns and fines receivable balances written off.

Management has also applied judgement in areas noted above by considering the forward-looking information, including variables used in macroeconomic scenarios and their associated weightings.

We considered ECL for receivables from fines as a key audit matter as (i) its determination involves significant management judgement; and (ii) it is sensitive to changes in management's assumptions which can have a material effect on the final estimated ECL allowance.

The ECL against fines receivable as at 31 December 2023 and the accounting policy associated with ECL is disclosed in Note 21 and Note 4.20 respectively.

- We tested the accuracy and relevance of the fines receivable aging data used in the expected credit loss model by testing the aging of receivables on a sample basis and we checked the mathematical accuracy of the calculations.
- We verified the flow rate method used by the Company for the determination of expected credit losses provision by testing the key estimates used by the management as part of the calculation of (i) probability of default; and (ii) the forward-looking factors applied in the estimation process.
- For the probability of default, we tested the historical loss rates calculation by extracting the fines historical collection information from the Tolling application system and (i) verifying the mathematical accuracy of the historical loss rate calculation; and (ii) testing the accuracy of the historical collection information on a sample basis.
- For forward-looking measurements, reviewed management's selection of economic indicators, scenarios and application of weightings.
- We tested the appropriateness of disclosures in the financial statements against the requirements of the IFRS Accounting Standards.



Independent auditor's report to the shareholders of Salik Company P.J.S.C. (continued)

Our audit approach (continued)

Key audit matter	How our audit addressed the Key audit matter
Fines revenue recognition During the year, the Company earned total revenue of AED 2,108,593 thousand of which AED 216,778 thousand was generated from fines. The fines revenue is generated automatically from the Tolling application and is validated using data maintained in Central Traffic applications. The validated fines revenue is manually posted to the Entity Resource Planning ("ERP") application on a monthly basis. The Tolling application is operated and controlled by Salik whereas the ERP and Central Traffic applications are services provided by related government entities. The low value of individual transactions on fines revenue means individual errors would be insignificant, but difficult to detect, and the high volume of transactions means systemic failure could lead to errors that aggregate into material balances. Given this, and the fact Salik has no control of systems that validate a key element of its total revenue, we considered this to be a key audit matter. The revenue for the year from fines and the accounting policy associated with the recognition and measurement of fines revenue is disclosed in Note 6 and Note 4.21 respectively.	We obtained an understanding of the fines revenue recognition process, financial reporting and application systems involved, interface, reports and automated and IT dependent manual controls supporting these applications and processes and we performed the following audit procedures: - Assessing the Company's accounting policy for fines revenue recognition and its disclosures in the financial statements in compliance with the requirements of the IFRS Accounting Standards. - Evaluating the design and testing the operating effectiveness of IT general and application controls over the Company's Tolling application involved in the fines revenue generation. - Testing the application controls operating within the Tolling application to ensure that fines are being generated by the system for all the offences defined by the Company and that approved tariffs are being applied by the system based on the nature of the offence. - Performing substantive audit procedures over the reconciliation between the Tolling application and Central Traffic applications by testing a sample of individual fines generated by the Tolling application and validated by the Central Traffic applications. - Performing substantive audit procedures over the reconciliation of fines revenue generated during the year, extracted from the Tolling application, with the fines revenue recorded in the ERP application. - We tested the appropriateness of disclosures in the financial statements against the requirements of the IFRS Accounting Standards.



Independent auditor's report to the shareholders of Salik Company P.J.S.C. (continued)

Other information

The Board of Directors and management are responsible for the other information. The other information comprises of the Directors' Report and Company's Annual Report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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



Independent auditor's report to the shareholders of Salik Company P.J.S.C. (continued)

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

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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Independent auditor's report to the shareholders of Salik Company P.J.S.C. (continued)

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Decree Law No. (32) of 2021, we report that:

- i) we have obtained all the information we considered necessary for the purposes of our audit;
- ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021;
- iii) the Company has maintained proper books of account;
- iv) the financial information included in the Directors' Report is consistent with the books of account of the Company;
- v) as disclosed in note 1 to the financial statements the Company has not purchased or invested in any shares during the year ended 31 December 2023;
- vi) note 23 to the financial statements discloses material related party transactions and the terms under which they were conducted; and
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the year ended 31 December 2023 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023. .

PricewaterhouseCoopers Limited Partnership Dubai Branch
04 March 2024

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

SALIK COMPANY P.J.S.C.**STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME**

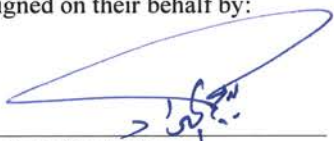
		2023	2022
		AED '000	AED '000
	<i>Notes</i>		
Revenue	6	2,108,593	1,892,306
Other income	7	4,041	9,176
Finance income	22	30,047	2,998
Cost of tags and recharge cards	8	(27,920)	(20,144)
Toll operation and maintenance expense	9	(84,372)	(90,295)
Employee benefit expenses	10	(26,570)	(11,957)
Depreciation and amortisation expense	11	(82,973)	(44,148)
Service providers commissions	13	(43,027)	(35,362)
Concession fee expense	16	(461,369)	(207,560)
Software enhancement expense	19	(12,886)	(13,743)
Impairment loss on trade receivables	21	(34,412)	(26,614)
Directors' remuneration	23	(6,635)	-
Corporate allocation expense	23	-	(40,521)
Finance costs	12	(239,191)	(73,115)
Other expenses	14	(25,359)	(15,359)
Profit for the year		1,097,967	1,325,662
Other comprehensive income		-	-
Total comprehensive income for the year		1,097,967	1,325,662
Basic and diluted earnings per share for profit attributable to the ordinary equity holders of the Company (AED)	32	0.15	0.18

The accompanying notes 1 to 38 form an integral part of these financial statements.

SALIK COMPANY P.J.S.C.
STATEMENT OF FINANCIAL POSITION

	Notes	2023 AED '000	2022 AED '000
ASSETS			
Non-current assets			
Property and equipment	18	4,289	90
Intangibles	15	3,877,551	3,959,183
Right-of-use asset	17	7,078	-
Other asset		560	720
		<u>3,889,478</u>	<u>3,959,993</u>
Current assets			
Inventories	20	5,566	11,536
Trade and other receivables	21	173,483	364,407
Short-term deposit with bank	22	750,000	-
Due from related parties	23	139,078	144,308
Cash and cash equivalents	22	266,180	822,707
		<u>1,334,307</u>	<u>1,342,958</u>
Total assets		<u><u>5,223,785</u></u>	<u><u>5,302,951</u></u>
LIABILITIES			
Non-current liabilities			
Long-term borrowings	24	3,988,779	3,985,573
Lease liability	17	6,047	-
Provision for employees' end-of-service benefits	25	2,519	2,624
Contract liabilities	27	53,350	43,195
		<u>4,050,695</u>	<u>4,031,392</u>
Current liabilities			
Due to a related party	23	138,693	313,492
Lease liability	17	1,889	-
Trade and other payables	26	70,252	59,815
Contract liabilities	27	299,709	294,338
		<u>510,543</u>	<u>667,645</u>
Total liabilities		<u><u>4,561,238</u></u>	<u><u>4,699,037</u></u>
EQUITY			
Share capital	28	75,000	75,000
Statutory reserve	29	37,500	37,500
Retained earnings		550,047	491,414
		<u>662,547</u>	<u>603,914</u>
Total equity		<u><u>662,547</u></u>	<u><u>603,914</u></u>
Total equity and liabilities		<u><u>5,223,785</u></u>	<u><u>5,302,951</u></u>

To the best of our knowledge, the financial statements fairly present, in all material respects, the financial position, results of operations and cash flows of the Company. These financial statements were approved by the Board of Directors on 4th March 2024 and signed on their behalf by:


Chief Executive Officer


Chairman of the Board of Directors

The accompanying notes 1 to 38 form an integral part of these financial statements.

SALIK COMPANY P.J.S.C.
STATEMENT OF CASH FLOWS

		2023	2022
	Notes	AED'000	AED'000
Cash flows from operating activities			
Profit for the year		1,097,967	1,325,662
Adjustments for:			
Depreciation of property and equipment	11	323	3,331
Depreciation of right-of-use asset	11	1,018	-
Adjustment for property and equipment		80	-
Amortisation of intangibles	11	81,632	40,817
Provision for employees' end-of-service benefits	25	699	988
Adjustment for employees' end-of-service benefits	25	(804)	-
Finance charge on lease liability	12	293	-
Other finance costs		238,898	73,115
Finance income	22	(30,047)	(2,998)
Liability no longer payable written back	7	-	(7,950)
Impairment loss on trade receivables	21	34,412	26,614
Operating cash flows before changes in working capital		1,424,471	1,459,579
Changes in working capital:			
Trade and other receivables excluding impact of impairment loss and accrued interest		167,219	(199,085)
Due from related parties		5,230	(144,308)
Inventories		5,970	4,508
Trade and other payables excluding impact of liabilities written back		10,437	58,091
Due to a related party excluding impact of transfer of property and equipment		(174,799)	313,388
Other assets		160	(720)
Contract liabilities		15,526	24,187
Net cash flows generated from operating activities		1,454,214	1,515,640
Cash flows from investing activities			
Increase in fixed deposits with original maturity of more than 3 months	22	(750,000)	-
Payment for purchase of property and equipment	18	(4,602)	(3,158)
Interest income on deposits and call account		19,340	2,998
Payment for upfront concession fee	15	-	(4,000,000)
Net cash used in investing activities		(735,262)	(4,000,160)
Cash flows from financing activities			
Dividend paid	31	(1,039,334)	-
Finance charge on lease liability paid		(293)	-
Other finance costs paid		(235,692)	(73,115)
Principal element of lease payment		(160)	-
Net distributions to parent	23	-	(826,711)
Proceeds from borrowings - net of transaction cost		-	3,985,573
Proceeds from issuance of share capital	28	-	75,000
Capital contribution received	30	-	146,480
Net cash (used in) / generated from financing activities		(1,275,479)	3,307,227
(Decrease) / increase in cash and cash equivalents		(556,527)	822,707
Cash and cash equivalents at the beginning of the year		822,707	-
Cash and cash equivalents at the end of the year	22	266,180	822,707

The accompanying notes 1 to 38 form an integral part of these financial statements.

SALIK COMPANY P.J.S.C.**STATEMENT OF CASH FLOWS (continued)****SUPPLEMENTAL NON-CASH INFORMATION**

		2023	2022
		AED'000	AED'000
Addition to right-of-use asset	17	8,096	-
Addition to lease liability	17	8,096	-
Property and equipment not transferred to the Company		-	107,178
End of service benefit liability of employees not transferred to the Company	25	-	741

(This space has been left intentionally blank)

The accompanying notes 1 to 38 form an integral part of these financial statements.

SALIK COMPANY P.J.S.C.**STATEMENT OF CHANGES IN EQUITY**

	Share capital AED'000	Statutory reserve AED'000	Reorganisation reserve AED'000	Net parent investment AED'000	Retained earnings AED'000	Total equity AED'000
At 1 January 2022	-	-	-	(10,080)	-	(10,080)
Issuance of share capital (Note 28)	75,000	-	-	-	-	75,000
Capital contribution received (Note 30)	-	-	146,480	-	-	146,480
Transfer from retained earnings (Note 29)	-	37,500	-	-	(37,500)	-
Total comprehensive income during the year	-	-	-	796,748	528,914	1,325,662
Net distribution to parent (Note 23)	-	-	-	(826,711)	-	(826,711)
Property and equipment not transferred to the Company (Note 18)	-	-	-	(107,178)	-	(107,178)
End of service benefit liability of employees not transferred to the Company (Note 25)	-	-	-	741	-	741
Transfer during the year (Note 30)	-	-	(146,480)	146,480	-	-
At 31 December 2022	75,000	37,500	-	-	491,414	603,914
Total comprehensive income during the year	-	-	-	-	1,097,967	1,097,967
Dividends declared (Note 31)	-	-	-	-	(1,039,334)	(1,039,334)
At 31 December 2023	75,000	37,500	-	-	550,047	662,547

The accompanying notes 1 to 38 form an integral part of these financial statements.

SALIK COMPANY P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1 DESCRIPTION OF BUSINESS AND PRINCIPAL ACTIVITIES

Salik Company P.J.S.C. ("Salik" or the "Company") is a Public Joint Stock Company incorporated on 30 June 2022 in the Emirate of Dubai, United Arab Emirates (UAE) under law no. 12 of 2022 issued by His Highness Sheikh Mohammed Bin Rashid Al Maktoum, the Ruler of Dubai, and started its operations on 1 July 2022. The Company changed its corporate office on 18th September 2023. The Company's new registered address is Suite No.400, 4th floor, Festival Tower, Dubai Festival City, PO Box 36003, Dubai, UAE.

The Company is owned by the Dubai Investment Fund ("DIF" or the "Parent") which holds 75.1% of the Company's shares which is ultimately owned and controlled by the Government of Dubai (ultimate controlling party), (previously the Company was ultimately controlled by the Government of Dubai represented by Dubai Department of Finance ("DoF") on its behalf). On 29 September 2022, 24.9% shares of the Company were sold through an Initial Public Offering ("IPO") on the Dubai Financial Market ("DFM") stock exchange.

The principal activities of the Company are the operations and maintenance of the existing tollgates throughout Dubai, UAE and for design, construction (including all the civil, electrical, gantry design and manufacturing, system integration, testing and commissioning) of new toll gates, including without limitation, the required tolling equipment, infrastructure and any interface requirements in relation to the new toll gates, but excluding the construction, operation and maintenance of the relevant toll roads.

The Company has not purchased or invested in any shares during the years ended 31 December 2023 and 31 December 2022.

On 9 December 2022 UAE Federal Decree-Law no 47 of 2022 was published setting in place a general corporate income tax for the first time. The profit threshold of AED 375,000 at which the 9% tax will apply was set in place by Cabinet Decision No. 116 of 2022 which was published on 16 January 2023 and at this point the tax law was considered enacted and substantively enacted for accounting purposes. While current taxes are not payable on profits generated before the Company's financial year commencing on 1 January 2024, the existence of an enacted tax law results in the need to immediately record deferred taxes on assets and liabilities where the carrying amount differs from the tax base. Based on the assessment performed by the management, an immaterial deferred tax impact has been noted as of and for the year ended 31 December 2023. As certain other cabinet decisions are pending as on the date of these financial statements, the Company will continue to assess the impact of these pending cabinet decision on deferred taxes as and when finalized and published.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB ("IFRS Accounting Standards"). IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards
- IAS Standards
- Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations).

These financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets, unless otherwise disclosed.

Financial results and cash flows for the comparative period as of and for the year ended 31 December 2022

The transfer of the Roads and Transport Authority (RTA) - Salik Tolling Business to Salik Company P.J.S.C. represents a transfer of business under common control, whereby the financial statements of the Company are presented as a continuation of RTA - Salik Tolling Business. The financial information presented in these financial statements for the comparative period includes the financial results of Salik before the incorporation date of the Company as if the Company had historically operated as a standalone entity. Therefore, the transfer represents the predecessor method of accounting and retrospective presentation is used. As Salik was not a standalone legal entity for the period from 1 January 2022 to 30 June 2022, the comparative period presented includes the operations of Salik for the period from 1 July 2022 to 31 December 2022 and the carved-out information of Salik Tolling Business within RTA for the period from 1 January 2022 to 30 June 2022, as if these had always been a part of the Company. The assets and liabilities were transferred from RTA to the Company on 1 July 2022, at their predecessor carrying values and fair value measurement was not required.

The financial results and cash flows for the period from 1 January 2022 to 30 June 2022 included in the comparative period ended 31 December 2022 represent historical operations of RTA – Salik Tolling Business and have been prepared from the accounting records of RTA wherein revenues, expenses, assets, and liabilities of the Salik Tolling Business were separately maintained in the RTA books except for corporate shared overheads, which are carved out on the basis explained in Note 5 and Note 23. Throughout 1 January 2022 to 30 June 2022, the Company functioned as part of the Traffic and Roads Agency ("TRA") which is one of the four agencies forming part of RTA. Accordingly, both RTA and TRA have historically performed certain corporate overhead functions for Salik.

SALIK COMPANY P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

2 BASIS OF PREPARATION (continued)

Financial results and cash flows for the comparative period as of and for the year ended 31 December 2022 (continued)

These include, but are not limited to, executive oversight, legal, finance, human resources, and financial reporting. The costs of such services have been allocated to the Company based on the most relevant allocation method to the service provided. Management believes such allocations are reasonable; however, they may not be indicative of the actual expense that would have been incurred had the Company been operating as a separate entity apart from RTA. The cost allocated for these functions is included in corporate allocation expense in the statement of profit or loss and comprehensive income for the comparative period presented. A complete discussion of the Company's relationship with RTA, together with the cost allocations, is included in Note 23 to the financial statements. Because Salik was not a standalone legal entity during 1 January 2022 to 30 June 2022, Parent's net investment is shown which 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 were also included in the Net parent investment.

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

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

New standards, interpretations and amendments to existing standards as adopted by the Company

The following are new standards, amendments and interpretations of IFRS Accounting Standards that have been adopted by the Company. The application of these revised IFRS Accounting Standards, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

- Amendments to IFRS 17: *amendments to address concerns and implementation challenges that were identified after IFRS 17 was published.*
- Amendments to IAS 12: *amendments regarding deferred Tax related to assets and liabilities arising from a single transaction.*
- Amendments to IAS 1 and IFRS Practice Statement 2: *amendments regarding the disclosure of accounting policies.*
- Amendments to IAS 8: *amendments regarding the definition of accounting estimates.*
- Amendments to IAS 12: *amendments to provide temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes.*

New standards, interpretations and amendments issued but not yet effective

The following are new standards, amendments, and interpretations of IFRS Accounting Standards that have been issued but not yet effective.

- IFRS S1: *General Requirements for Disclosure of Sustainability-related Financial Information.*
- IFRS S2: *Climate-related Disclosures.*
- Amendments to IAS 1: *amendments regarding the classification of liabilities.*
- Amendments to IAS 1: *amendments regarding the classification of debt with covenants.*
- Amendments to IAS 1: *amendment to defer the effective date of the January 2020 amendments.*
- Amendments to IFRS 7 and IAS 7: *amendments regarding supplier finance arrangements.*
- Amendments to IFRS 10 and IAS 28: *amendments regarding accounting treatment for sales or contribution of assets between an investor and their associates or joint ventures.*
- Amendments to IFRS 16: *amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions.*

The Company has not early adopted any standards, interpretation or amendment that has been issued but is not yet effective. The Company does not expect the adoption of the above new standards and amendments to have a material impact on the future financial statements of the Company.

SALIK COMPANY P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies used in the preparation of these 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 accumulated impairment loss. The cost of property and equipment is the value of the consideration given to acquire the assets and the costs directly attributable to bringing the asset to its working condition for the intended use.

Subsequent costs 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 associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of profit or loss and comprehensive income during the year in which they are incurred.

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

Building	30 years
Infrastructure assets (i.e. Toll gates)	15 or 25 years
Tolling equipment	4 to 10 years
Office furniture and equipment	5 to 10 years
Motor vehicles	5 years
Leasehold improvements	5 years

The residual values, useful lives and method of depreciation of assets are reviewed and adjusted, if appropriate, at each statement of financial position date. 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.

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 within profit and loss in the statement of profit or loss and comprehensive income.

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 Intangibles

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangibles recognised as part of service concession agreement are amortised over concession period. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of 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 are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

SALIK COMPANY P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.2 Intangibles (continued)

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and comprehensive income.

4.3 Service concession agreement

SIC 29 - Service Concession Arrangements: Disclosures deals with information about concession agreements to be disclosed in the notes to the financial statements.

IFRIC 12 is the interpretation that specifies the common characteristics of concession agreements:

- the grantor, usually a public authority, is required to provide a public service that it delegates to the concessionaire (determining criterion);
- the concession operator (Salik), is responsible for managing the related infrastructure and performing the actual public service and is not just a simple agent acting on orders;
- the concession operator is entrusted with specific infrastructure expansion or upgrading obligations while maintaining the infrastructure in proper condition; and
- the price and the conditions (regulation) for price revision are set at the origin of the contract.

For a concession contract to be included in the scope of IFRIC 12, the infrastructure must be controlled by the grantor. Control of the infrastructure by the grantor is ensured when the following two conditions are met:

1. the grantor controls or regulates the public service, i.e. it controls or regulates the services to be provided through the infrastructure subject to the concession and determines to whom and at what price they should be provided; and
2. the grantor controls all residual interest in the infrastructure at the end of the contract. This control is usually reflected through the grantor's right to take over the infrastructure at the end of the contract.

The Company recognizes an intangible asset arising from a service concession arrangement when it has a right to charge the users for use of the concession infrastructure. An intangible asset received as consideration for providing the upfront fee in a service concession arrangement is measured at fair value on initial recognition.

The concession rights are stated at cost, less accumulated amortisation and accumulated impairment loss, if any. The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Company is able to charge the public for the use of the infrastructure to the end of the concession period.

Intangible assets include the amount of fixed concession fee paid to RTA in accordance with the concession agreement entered with the RTA for the Dubai Tolling Operations. These intangible assets have finite useful life and are measured at cost less accumulated amortisation and accumulated impairment loss, if any.

Amortisation is recognised on a straight-line basis over the life of the concession term.

4.4 Inventories

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)**

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.5 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 recognized immediately in the statement of profit or loss and comprehensive income.

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

The financial instruments are classified to be measured at Amortized Cost, at Fair Value Through Profit and Loss (FVTPL) or at Fair Value Through Other Comprehensive Income ("FVTOCI") and such classification depends on the objective and contractual terms to which they relate. Classification of financial instruments is determined on initial recognition. The Company's financial assets consist of trade and other receivables, due from related parties, short-term bank deposits and cash and cash equivalents. The Company's financial liabilities consist of borrowings, lease liability, trade and other payables and due to a related party.

- Financial instruments measured at amortized cost:
Financial assets held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortized cost. The above financial assets and financial liabilities subsequent to initial recognition are measured at amortized cost using Effective Interest Rate ("EIR") method.
- Financial asset at fair value through other comprehensive income:
Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised directly in other comprehensive income.
- Financial instrument fair value through profit or loss:
Financial instruments which do not meet the criteria of amortized cost or fair value through other comprehensive income are classified as Fair Value through Profit or loss. These are recognised at fair value and changes therein are recognized in the statement of profit or loss 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 FYTOCI), the difference between the asset's carrying amount and the sum of the consideration received and receivable are recognized in the statement of profit or loss and comprehensive income.

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

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

SALIK COMPANY P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.6 Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. 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 described in Note 4.20.

4.7 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise of cash held in bank in the current account, deposits held at call with the bank and deposits held with bank with original maturities of three months or less. Deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest.

4.8 Share capital

Ordinary shares are classified as equity.

4.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

4.10 Trade and other payables

These represent 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 12 months after the reporting period. If not, they are presented as non-current liabilities.

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

4.11 Contract liabilities

A contract liability is the obligation to provide services to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company provides the services to the customer, a contract liability is recognised when the payment is made. 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 service to the customer and when the customer pays for that service will be one year or less.

4.12 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 statement of financial position date. Provision is also made for the full amount of end of service benefits due to the non-UAE Nationals in accordance with the applicable Government of Dubai Human Resources Management Law, for their periods of service up to the statement of financial position date. The entitlement to these benefits is usually based upon the employees' 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)**

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.12 Provision for employee benefits (continued)

(b) Pension and social security policy

The Company 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. Contribution expenses are classified as part of Employee Benefit expense in the statement of profit or loss and other comprehensive income.

4.13 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs which are subsequently carried at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is amortised over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities in case settlement is due within 12 months otherwise, they are classified as non-current liabilities.

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing cost consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.14 Provisions

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

SALIK COMPANY P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.15 Value added tax

Expenses and assets are recognized net of the amount of tax, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; or
- When receivables and payables are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of VAT receivables or VAT payables in the statement of financial position.

4.16 Earnings per share ("EPS")

Basic EPS is calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

4.17 Effective interest method

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

4.18 Fair value measurements

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

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

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)**

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.18 Fair value measurements (continued)

For assets and liabilities that are recognised in the 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.

4.19 Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost 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 statement of profit or loss and 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 statement of profit or loss and comprehensive income.

4.20 Impairment of financial assets

Credit-impaired financial assets

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

Trade and other receivables

For trade and other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix, as disclosed in Note 21, that is based on historical recovery data, adjusted for forward-looking factors and the time value of money.

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

SALIK COMPANY P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.20 Impairment of financial assets (continued)

Presentation of allowance for ECL

The expected credit loss allowance for each type of financial asset is deducted from the gross carrying amount of the assets. Impairment losses are shown separately on the face of the statement of profit or loss and comprehensive income.

Write-off

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

4.21 Revenue recognition

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

- (a) *Tolling fees* - Revenue from tolling fees are satisfied at a point in time as the vehicle passes through the toll gate. The transaction price is fixed per passage under the toll gate and is typically paid in advance by the customer. Each passage under the tollgate represents a distinct performance obligation.
- (b) *Salik tags* - Tags and recharge cards are purchased by end-customers from third party vendors or directly online. A contract is established with each end-customer when a Salik tag is registered by the end-customer. The customer pays a one-time activation fee; thereby giving Salik the right to payment and the customer right of passage to use the tollgates without penalty. Activation of the tag do not meet the criteria to be considered a distinct performance obligation, and therefore the activation fee is combined with the tolling fees and is recognised over the estimated life of the end-customer. If the tag is deactivated by the customer before the end of estimated life, the unrecognized portion of the tag activation fee is immediately recognised as revenue.
- (c) *Fines* - Fines are earned for violating rules and regulations of Salik by third parties. They are recognised at the time the Company has the right to receive cash.
- (d) *Inactive balance-write-off* - A customer's non-refundable prepayment to an entity gives the customer a right to receive a service in the future. However, customers may not exercise all of their contractual rights. When an entity expects to be entitled to a breakage amount in a contract liability, the entity shall recognise the expected breakage amount as revenue. The Company recognises revenue when the likelihood of the customer exercising its remaining rights becomes remote.
- (e) *Variable consideration* - If consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for services rendered to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal will not occur when the related uncertainty is subsequently resolved. Dismissals and refunds for fine violations give rise to variable consideration.
- (f) *Other* - The Company also recognises revenue from delivery of tags to customers and processing fees for recharges, which is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the tag at the customer's location and upon recharge of the account.

4.22 Leases

The Company's leases represent the lease of office space. Rental contracts are typically made for a fixed period. Contract contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor, but leased assets may not be used as security for borrowing purposes. Assets and liabilities arising from a lease are initially measured on a present value basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)**

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.22 Leases (continued)

Lease liabilities include the net present value of the following lease payments:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Company entities use that rate as a starting point to determine the incremental borrowing rate. Lease payments are allocated between principal and finance cost. The finance cost is charged to statement of profit or loss and comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term, on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Company does not revalue right-of-use assets held by the Company.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in statement of profit or loss and comprehensive income. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

SALIK COMPANY P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.23 Current versus non-current classification

The Company presents assets and liabilities in the 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.

4.24 Segment reporting

For management purposes, the Company is organised into one segment, which is the Tolling Business. Accordingly, the Company only has one reportable segment. Management monitors the operating results of the business as a single unit for the purpose of making decisions about resource allocation and performance assessment.

4.25 Dividend distribution

Dividends to the Company's shareholders are recognised in the financial statements in the period in which the dividends are approved by the Company's shareholders.

5 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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 assumptions - 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) 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 calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

SALIK COMPANY P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

5 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

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

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

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

b) Fines dismissals

Customers have the right to dispute wrongful violations. If the violation has been paid, then the customer is entitled to a refund and if the violation has not yet been paid the violation is dismissed. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal will not occur when the related uncertainty is subsequently resolved. Primarily all wrongful violations are dismissed in the year in which the violation is issued and substantially all dismissals occur within two calendar years of the violation issuance, however based on historical information, management can estimate dismissals which will occur in subsequent years after the violation is issued. In determining the impact of variable consideration, the Company uses the "most-likely amount" method in IFRS 15 whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts. A 1% increase or decrease change in estimated dismissals beyond the year in which the violation is issued would result in approximately AED 29 thousand (2022: AED 29 thousand) change in revenue recognized for the year ended 31 December 2023.

c) Useful lives of property and equipment, infrastructure and intangible assets

The Company's management determines the estimated useful lives of its property and equipment, infrastructure, and intangible assets for calculating depreciation and 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 and amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates.

d) Corporate allocations

The financial information for the comparative period from 1 January 2022 up to 30 June 2022 include allocations for certain expenses historically maintained by RTA or TRA. Such items have been allocated to the Company and included in the comparative financial statements based on the most relevant allocation method, primarily relative percentage of headcount or revenue. Management believes that this basis for allocation of expenses is reasonable. Actual results may differ from these estimates. A 1% increase or decrease change in allocation percentages would result in approximately AED 0.4 million change in expense allocated to the Company for the year ended 31 December 2022 (Refer to Note 23). There are no corporate allocations for the comparative period from 1 July 2022 to 31 December 2022 and for the year ended 31 December 2023.

e) Life of customer contract

The Company's management determines the estimated useful lives of its customer contracts for calculating the period over which tag activation fee revenue is recognised. Management estimates the average customer life by calculating the weighted average number of days between tag activation and tag deactivation, which is approximately five years. However, the actual useful life may be shorter or longer than five years, depending on when customers deactivate their Salik tag. If the average customer useful life was four years, the carrying amount of contract liabilities would decrease and revenue recognized would increase by AED 0.8 million (2022: AED 1.6 million) as at and for the year ended 31 December 2023. If the average customer useful life was six years, the carrying amount of contract liabilities would increase and revenue recognized would decrease by AED 0.3 million (2022: AED 1.1 million) as at and for the year ended 31 December 2023.

SALIK COMPANY P.J.S.C.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2023** (continued)**5 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS** (continued)

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

f) Determining whether RTA's voluntary right to terminate is substantive or not

As per the terms of the concession agreement, RTA has an option to voluntarily terminate the agreement by giving notice of voluntary termination to the Company and paying the termination value as determined on the termination date based on terms of the concession agreement. The Company applies judgement in evaluating whether it is reasonably certain whether RTA will exercise the option to terminate the agreement. Based on the judgement applied, the Company believes it will not be economically beneficial for RTA to exercise the rights and voluntarily terminate this agreement as the termination payment will significantly exceed the upfront concession payment made by Salik to acquire concession right.

g) Impairment of non-financial assets

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

h) Consideration of significant financing component in a contract

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

6 REVENUE

Set out below is the disaggregation of the Company's revenue:

	2023 AED '000	2022 AED '000
Tolling revenue		
- Toll usage fees	1,845,477	1,651,575
- Tag activation fees*	38,200	32,182
Total tolling revenue	1,883,677	1,683,757
Fines	216,778	201,594
Inactive balance write-off (Note 27)	5,681	5,642
Miscellaneous	2,457	1,313
	2,108,593	1,892,306

*Tag activation fees is recognised on a straight-line basis over the estimated customer life of 5 years.

SALIK COMPANY P.J.S.C.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)****7 OTHER INCOME**

	2023 AED '000	2022 AED '000
Recovery of bad debts written off	2,597	1,226
Commission on replacement of end-of-life tolling assets (Note 16)	1,007	-
Liabilities no longer payable written back	-	7,950
Others	437	-
	<u>4,041</u>	<u>9,176</u>

8 COST OF TAGS AND RECHARGE CARDS

	2023 AED '000	2022 AED '000
Inventories expensed - Salik tags	27,690	19,641
Inventories expensed - Salik recharge cards	230	503
	<u>27,920</u>	<u>20,144</u>

9 TOLL OPERATION AND MAINTENANCE EXPENSE

	2023 AED '000	2022 AED '000
Operating expenses	62,515	64,088
Maintenance expenses	21,857	26,207
	<u>84,372</u>	<u>90,295</u>

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

10 EMPLOYEE BENEFIT EXPENSES

	2023 AED '000	2022 AED '000
Salaries and wages	19,021	9,703
Bonus expense	2,534	-
End of service benefits	699	988
Other benefits and allowances	4,316	1,266
	<u>26,570</u>	<u>11,957</u>

11 DEPRECIATION AND AMORTISATION EXPENSE

	2023 AED '000	2022 AED '000
Depreciation of property and equipment (Note 18)	323	3,331
Depreciation of right-of-use asset (Note 17)	1,018	-
Amortisation of intangibles (Note 15)	81,632	40,817
	<u>82,973</u>	<u>44,148</u>

SALIK COMPANY P.J.S.C.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)****12 FINANCE COSTS**

	2023 AED '000	2022 AED '000
Finance cost on borrowings	238,738	73,035
Finance charge on lease liability (Note 17)	293	-
Other finance costs	160	80
	239,191	73,115

13 SERVICE PROVIDERS COMMISSION

	2023 AED'000	2022 AED '000
Service provider expense		
- Bank commissions	15,643	10,384
- Other Emirates commissions	13,825	11,261
Commission on card sales	9,257	9,665
Commission on tag sales	4,302	4,052
	43,027	35,362

14 OTHER EXPENSES

	2023 AED '000	2022 AED '000
Professional fees	9,596	8,328
Transition service expense (Note 23)	6,739	2,624
Rent and maintenance	1,562	1,116
Office fit out expenses	1,235	-
Marketing and advertisement	886	-
Travel and accommodation	589	-
Others	4,752	3,291
	25,359	15,359

SALIK COMPANY P.J.S.C.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)****15 INTANGIBLES**

This represents the Company's right under the service concession agreement (refer Note 16), that is, an upfront concession fee of AED 4,000 million to RTA under the service concession agreement between RTA and the Company.

	<i>AED '000</i>
Cost	
At 1 January 2022	-
Addition (Note 16)	4,000,000
At 31 December 2022 and 2023	4,000,000
Accumulated amortisation	
At 1 January 2022	-
Charge for the year (Note 11)	40,817
At 31 December 2022	40,817
Charge for the year (Note 11)	81,632
At 31 December 2023	122,449
Net carrying amount	
At 31 December 2023	3,877,551
At 31 December 2022	3,959,183

16 SERVICE CONCESSION ARRANGEMENT

Salik Company P.J.S.C. entered into a concession agreement with RTA effective 1 July 2022 to undertake the Dubai tolling operations for which Salik ("Operator") made an upfront concession payment of AED 4,000 million plus VAT of AED 200 million to RTA ("Grantor") for acquiring the right to operate Salik's existing gates and any future gates.

Additionally, a variable concession fee of 25% of toll usage fee earned excluding tag activation fees, violations revenue, inactive balance write-off or any other miscellaneous revenue is payable to RTA for each quarter period. The agreement term is 49 years ("the concession period") unless terminated or extended as per the terms of the concession agreement. As per the terms of the concession agreement, there are no decommissioning obligations at the end of the contractual period and therefore, no liability has been recorded as of 31 December 2023 and 31 December 2022.

Variable concession fee for the year ended 31 December 2023 amounts to AED 461.37 million (2022: AED 207.56 million), which has been recorded as an expense in the statement of profit or loss and comprehensive income.

Key elements of concession agreement

Tolling Operations, Tolling Systems, Tolling Assets: The Company has the absolute and exclusive responsibility for the Dubai tolling operations and the operation, maintenance, development and/or upgrade of the tolling system. All costs and expenses incurred in this relation are at expense of the Company. Ownership over tolling assets vests with RTA.

Revisions to toll fee: The Company has exclusive right to charge, collect and keep for its account toll fees and other road user charges from vehicles utilizing the toll roads. The Company has a right to increase the toll fees to account for increase in operational cost or to consider the impact of inflation. Such increase in toll fees has to be approved by Dubai Executive Council. In case the revision in toll rate is not approved by the Dubai Executive Council, the Company will be compensated for such non-approval by reduction in the variable concession fee charged by RTA, only if the proposed increase was on account of increased inflation rates.

SALIK COMPANY P.J.S.C.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2023** (continued)**16 SERVICE CONCESSION ARRANGEMENT** (continued)Key elements of concession agreement (continued)

New toll gates: The Company has exclusive right to undertake any tolling works with respect to the new toll gates and all costs and expenses incurred for the construction of toll gates will be reimbursed by RTA on a cost plus 10% basis. For obtaining the right to charge users, the Company shall pay to RTA a fee determined based on valuation of the new toll gate. In case of difference in valuation done by RTA and that done by Salik by more than 5%, an earnout mechanism will apply, whereby during the period of 5 years following the completion and commissioning of the new toll gate, the Company shall be liable to pay earn-out payments only if there is a positive traffic delta compared to forecasts.

Replacement of end-of-life tolling assets: The Company shall be reimbursed by RTA on a cost plus 5% basis for replacement of each tolling asset upon the end of its useful life.

Termination: The Company may terminate the agreement if RTA is in breach of its obligations and if a change in law were to make it illegal or impossible for the Company to perform substantially all its obligations under the agreement. RTA may terminate the agreement by giving notice to the Company, if an insolvency event occurs, if the Company commits a prohibited act or if certain type of breaches of the agreement occur. Further, RTA also has an option to voluntarily terminate the agreement by giving notice of voluntary termination to the Company. Compensation amounts will have to be paid by either of the parties upon occurrence of certain events, that is, it will have to be paid by RTA in case of exercise of voluntary termination or breach by RTA of its obligations and will have to be paid by the Company if it commits a prohibited act.

Transfer of Assets and Rights: On end of the agreement, Operator shall, without consideration, transfer to Grantor all rights, title and interest of assets, intellectual property rights used in Dubai tolling operations.

17 LEASES**i. Right-of-use asset**

	<i>Office space</i> <i>AED '000</i>
Cost	
At 1 January 2023	-
Additions	8,096
At 31 December 2023	8,096
Accumulated depreciation	
At 1 January 2023	-
Charge for the year (Note 11)	1,018
At 31 December 2023	1,018
Net book value	
At 31 December 2023	7,078

SALIK COMPANY P.J.S.C.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2023** (continued)**17 LEASES** (continued)**ii. Lease liability****AED '000****At 1 January 2023**

Lease additions	-
Finance charge for the year (Note 12)	8,096
Lease repayments	293
	(453)

At 31 December 2023**7,936**

Lease liability is bifurcated into:

Current	1,889
Non-current	6,047
	7,936

iii. Amounts recognised in profit or loss

	2023 AED '000	2022 AED '000
Finance charge on lease liability (Note 12)	293	-
Depreciation of right-of-use asset (Note 11)	1,018	-

iv. Contractual undiscounted cash flows

The contractual undiscounted cash flows associated with the lease are as follows:

	2023 AED '000	2022 AED '000
Not later than 1 year	2,264	-
Between 1 to 5 years	6,703	-
	8,967	-

SALIK COMPANY P.J.S.C.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)****18 PROPERTY AND EQUIPMENT***For the year ended 31 December 2023*

	<i>Office furniture and equipment AED '000</i>	<i>Motor vehicles AED '000</i>	<i>Leasehold improvements AED '000</i>	<i>Total AED '000</i>
Cost				
At 1 January 2023	150	-	-	150
Additions	1,685	362	2,555	4,602
Adjustment	(128)	-	-	(128)
At 31 December 2023	1,707	362	2,555	4,624
Accumulated depreciation				
At 1 January 2023	60	-	-	60
Depreciation charge for the year (Note 11)	126	26	171	323
Adjustment	(48)	-	-	(48)
At 31 December 2023	138	26	171	335
Net carrying amount				
At 31 December 2023	1,569	336	2,384	4,289

(This space has been left intentionally blank)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

18 PROPERTY AND EQUIPMENT (continued)

For the year ended 31 December 2022

Cost	Buildings AED '000	Infrastructure assets AED '000	Tolling equipment AED '000	Office furniture and equipment AED '000	Capital work in progress AED '000	Total AED '000
At 1 January 2022	2,438	128,718	49,438	1,657	27,680	209,931
Additions	-	-	106	-	3,052	3,158
Transfer*	-	-	2,259	-	(2,259)	-
Transfer from related party	-	-	-	150	-	150
Retirements**	-	-	(4,758)	(1,069)	-	(5,827)
Property and equipment not transferred to Salik***	(2,438)	(128,718)	(47,045)	(588)	(28,473)	(207,262)
At 31 December 2022	-	-	-	150	-	150
Accumulated depreciation						
At 1 January 2022	1,153	51,142	48,646	1,653	-	102,594
Depreciation charge for the year (Note 11)	52	2,573	691	15	-	3,331
Transfer from related party	-	-	-	46	-	46
Retirements**	-	-	(4,758)	(1,069)	-	(5,827)
Property and equipment not transferred to Salik***	(1,205)	(53,715)	(44,579)	(585)	-	(100,084)
At 31 December 2022	-	-	-	60	-	60
Net carrying amount						
At 31 December 2022	-	-	-	90	-	90

*This includes transfer of Information technology (IT) assets of AED 2.3 million from CWIP to Tolling equipment during the year.

**Retirements relate to certain fully depreciated Information technology (IT) assets under tolling equipment category and telecommunication assets under office furniture and equipment category.

***The property and equipment i.e. building, infrastructure assets and tolling equipment used by the Company in its operations till 30 June 2022, that is, until the date of its incorporation, but are legally owned by RTA and are not transferred to Salik Company P.J.S.C. on formation of the legal entity. However, as part of the service concession agreement (Note 16) entered into between the Company and RTA, these assets will be used by Salik to provide operation, maintenance, and management of Tolling business in Dubai.

SALIK COMPANY P.J.S.C.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)****19 SOFTWARE ENHANCEMENT EXPENSE**

The expenditure incurred towards enhancements of the software did not meet the capitalisation criteria and have been expensed in the year in which the expense was incurred. Expenses incurred related to software development were AED 12.9 million for year ended 31 December 2023 and AED 13.7 million for the year ended 31 December 2022.

20 INVENTORIES

	2023 AED '000	2022 AED '000
Salik tags	5,461	5,188
Salik recharge scratch cards	105	6,348
	<u>5,566</u>	<u>11,536</u>

All inventories are in the form of finished goods. The cost of inventories recognised as expense during the year is included in 'Cost of tags and recharge cards' on the statement of profit or loss and comprehensive income. None of the inventories are carried at net realisable value being lower than cost for all years presented. There are no obsolete or slow-moving inventories. There has been no write-off of inventory in the years presented.

21 TRADE AND OTHER RECEIVABLES

	2023 AED '000	2022 AED '000
Trade receivables (including fines receivable)	301,192	313,410
Less: loss allowance on fines receivable	(177,827)	(183,074)
	<u>123,365</u>	<u>130,336</u>
VAT receivable	17,246	211,249
Accrued interest	12,721	2,014
Advance to supplier	19,484	20,808
Other assets	667	-
	<u>173,483</u>	<u>364,407</u>

Break up of trade receivables is as follows:

Fines	284,066	286,182
Taxi	10,154	7,543
Banks	2,647	1,962
Other Emirates	353	353
Telecom	94	4,592
Gas stations	-	12,778
Others	3,878	-
	<u>301,192</u>	<u>313,410</u>

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

Trade and other receivables from taxi, gas stations, telecom, banks, other Emirates and others are not secured, non-interest bearing and are generally on terms of 30 to 90 days. The allowance for expected credit losses or impairment incurred for trade and other receivables from taxi, gas stations, telecom, banks, other Emirates and others is considered to be not material.

SALIK COMPANY P.J.S.C.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2023** (continued)**21 TRADE AND OTHER RECEIVABLES** (continued)

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

	2023 AED '000	2022 AED '000
Balance at the beginning of the year	183,074	196,680
Provision for expected credit losses for the year	34,412	26,614
Write offs during the year	(39,659)	(40,220)
Balance at the end of the year	177,827	183,074

The provision for expected credit losses for the year has been included as " Impairment loss on trade receivables" in the statement of profit or loss and comprehensive income. The Company fully writes off a trade receivable arising from a violation when there is no realistic prospect of recovery, which is estimated by management to be at the end of the average customer useful life, which is five years.

Set out below is the ageing analysis of the Company's trade receivables from fines using a provision matrix:

31 December 2023	Expected credit loss %	Gross carrying amount AED '000	Loss allowance AED '000
Current	40%	121,814	48,378
1-90 days	59% - 64%	12,340	7,625
91-180 days	66% - 68%	10,545	7,048
181 - 365 days	71% - 77%	21,414	15,915
365+ days	84%	117,953	98,861
Total		284,066	177,827
31 December 2022	Expected credit loss %	Gross carrying amount AED '000	Loss allowance AED '000
Current	39%	111,887	43,895
1-90 days	58% - 63%	12,536	7,616
91-180 days	64% - 68%	10,451	6,904
181 - 365 days	70% - 79%	22,691	16,962
365+ days	83%	128,617	107,697
Total		286,182	183,074

SALIK COMPANY P.J.S.C.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)****22 CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSIT WITH BANK**

	2023 AED '000	2022 AED '000
<i>Cash and cash equivalents</i>		
<i>Cash in bank</i>		
- Current account	-	321,758
- Islamic Mudarabah Call Account	266,180	-
Short-term deposits with original maturity of 3 months or less	-	500,949
Cash and cash equivalents	<u>266,180</u>	<u>822,707</u>
<i>Short term deposit with bank</i>		
Fixed deposit with original maturity of 3 to 12 months	<u>750,000</u>	-

Cash in bank represents amounts held in current accounts, call account and Wakala deposits maintained with Emirates NBD Bank PJSC operating in the UAE. The fixed deposits as on 31 December 2023 have an original maturity period of more than 3 months (2022: 88 days) and earn expected profits of 5.3% (2022: 5.15%). Profit earned from short-term deposits was AED 26,049 thousand (2022: AED 2,998 thousand). During the year ended 31 December 2023, the Company entered into a sweeping arrangement with newly opened Islamic Mudarabah Call Account whereby daily available balance in the current account is transferred to the Islamic Mudarabah Call Account and the Company earns profit on the daily available bank balance. The Company earned a profit of AED 3,998 thousand (2022: Nil) during the year ended 31 December 2023, on the Islamic Mudarabah Call account.

23 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise the Parent, ultimate controlling party, the shareholders, key management personnel, subsidiaries, joint venture, directors and businesses which are controlled directly or indirectly by the ultimate controlling party, or directors or over which they exercise significant management influence. The Company has availed the exemption as per para 25 of IAS 24 Related Party Disclosure and consider the entities controlled by Government of Dubai as non-related except for RTA, Dubai Taxi Company PJSC ("DTC"), Dubai E-Government, Dubai Digital Authority, Emirates NBD Bank PJSC ("ENBD") and Emirates National Oil Company ("ENOC").

The Company, in the normal course of business, receives services from and provides services to related parties. These transactions comprise the purchase and sale of goods and services in the normal course of business at mutually agreed terms. Additionally, the Company entered into a Service Concession Agreement with RTA (Note 16), Transitional Services Agreement with RTA and debt agreement with Emirates NBD Bank PJSC (Note 24).

The following table summarizes related party balances for the relevant financial year.

	2023 AED '000	2022 AED '000
Due from related parties		
<i>Entities under common control of the Government of Dubai</i>		
Dubai E-Government	79,567	66,408
Roads and Transport Authority*	47,563	72,240
Dubai Taxi Company PJSC	11,948	5,660
	<u>139,078</u>	<u>144,308</u>
Due to a related party		
<i>Entities under common control of the Government of Dubai</i>		
Roads and Transport Authority*	<u>138,693</u>	<u>313,492</u>

*With respect to the balance due to and due from Roads and Transport Authority, the Company does not have an enforceable right to offset and therefore these have been presented separately.

SALIK COMPANY P.J.S.C.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)****23 RELATED PARTY BALANCES AND TRANSACTIONS (continued)**

	2023 AED '000	2022 AED '000
Loan from a related party		
<i>Entities under common control of the Government of Dubai</i>		
Emirates NBD Bank PJSC	3,988,779	3,985,573

The Company obtained a financing facility with ENBD, a related party, as has been disclosed in Note 24.

Bank balances as disclosed in Note 22 are also held with ENBD.

Transactions with related parties*Commission expense*

Transactions with ENBD, other than finance cost on borrowings as explained in Note 24, relates to commission paid for collection services provided by ENBD and amounts to AED 2.7 million for the year ended 31 December 2023 (2022: AED 2.3 million). Transactions, gross of commission earned, with ENOC relate to the sale of Salik tag and recharge cards and amounts to AED 138.9 million for the year ended 31 December 2023 (2022: AED 134.0 million).

Tolling fees collected by Dubai Taxi Company PJSC

Dubai Taxi Company PJSC ("DTC") is ultimately controlled by the Government of Dubai. Tolling fees collected by DTC represent toll fee collection by the taxis operated by DTC within the Emirate of Dubai and are based on trips under tollgates where there is a passenger in the taxi vehicle. Tolling fees collected by DTC are AED 68.8 million (2022: AED 63.5 million). Historically, collections made by DTC were settled directly with the Government of Dubai's Department of Finance. Accordingly, the total effect of the settlement of the tolling fee portion of these transactions until the date of formation of the Company, that is 30 June 2022, is reflected in the statement of cash flows as a financing activity and in the statement of financial position as Net parent investment. Effective from 1 July 2022, the amounts are collected by Salik directly in accordance with the terms of agreement with the Company.

Corporate costs allocation

The Company had been allocated expenses of AED 40.5 million for the year ended 31 December 2022 (2023: Nil) from RTA. These costs are derived from multiple levels of the organisation 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, RTA's Director compensation is included in these amounts. The amounts allocated to the Company are intended to represent the costs of providing these services, and management believes the allocation methods are reasonable. 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 were determined by the most relevant allocation method, primarily relative percentage of headcount or revenue. These costs are recorded as corporate allocation expenses in the statement of profit or loss and comprehensive income. Effective from 1 July 2022, the Company entered into a transitional services agreement with RTA for assistance with such back-office functions, as have been detailed below. Accordingly, corporate costs were allocated to the Company until 30 June 2022 and that no such costs have been allocated following the transitional services agreement.

Transitional Service Agreement ('TSA')

The Company entered into a Transitional Services Agreement ('TSA') with RTA, effective from 1 July 2022, wherein RTA providing services to Salik for performance of the tolling operations and back-office functions such as financial services, information technology (IT), human resources, administration, marketing and communication in accordance with the tolling Concession Agreement. During the year, an amount of AED 6.7 million (2022: AED 2.6 million) has been charged by RTA for such transitional services and these have been included as 'Transition service expense' under 'Other expenses' in the statement of profit or loss and comprehensive income.

SALIK COMPANY P.J.S.C.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)****23 RELATED PARTY BALANCES AND TRANSACTIONS (continued)****Transactions with related parties (continued)***Service concession arrangement*

As part of formation of Salik Company P.J.S.C., the Company entered into a Service Concession Agreement with RTA, pursuant to which RTA grants some of its mandates and powers under Dubai Law No. 17 of 2005 regarding the operation, maintenance and management of Salik i.e. Dubai's automatic road toll collection system. Refer Notes 15 and 16 for the financial impact associated with the Concession Agreement.

Cash pooling

Until 30 June 2022, the Company utilised the RTA's centralised processes and systems for cash management. As a result, substantially all cash received related to the tolling business was deposited and comingled with RTA's general corporate funds. The Company did not have a legal right to deposit or withdraw funds autonomously. Substantially all cash received by the Company was deposited in and comingled with RTA's general corporate funds and is not specifically allocated to the Company. Effective from 1 July 2022, the Company has its own bank account and ceased to use the centralized cash pooling process and systems of RTA. Accordingly, all the transactions are settled directly with the bank account of the Company from this date.

The total net effect of the settlement of these transactions until 30 June 2022 is reflected in the statement of cash flows as a financing activity and in the statement of changes in equity as net distributions to parent.

	2023 AED '000	2022 AED '000
Cash pooling and general activities	-	(415,936)
Receivables from RTA	-	(451,296)
Corporate allocations	-	40,521
	<u>-</u>	<u>-</u>
Net decrease in parent company investment ("Net distribution to parent")	<u>-</u>	<u>(826,711)</u>

Key management and directors' remuneration

	2023 AED '000	2022 AED '000
<i>Key management</i>		
Salaries and other benefits	8,721	1,696
End of service benefits	643	336
	<u>9,364</u>	<u>2,032</u>
Directors' remuneration	<u>6,635</u>	<u>-</u>

24 BORROWINGS

	2023 AED '000	2022 AED '000
Term loan from Emirates NBD Bank PJSC	4,000,000	4,000,000
Unamortised loan cost	(11,221)	(14,427)
	<u>3,988,779</u>	<u>3,985,573</u>
Total borrowing	3,988,779	3,985,573
Less: current portion	-	-
Non-current portion	<u>3,988,779</u>	<u>3,985,573</u>

SALIK COMPANY P.J.S.C.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)****24 BORROWINGS (continued)**

On 30 June 2022, the Company and Emirates NBD Bank PJSC entered into an agreement to underwrite a 5-year, AED 4,200 million unsecured Islamic Mudarabah credit facility (the "Facility"). The Facility is bifurcated further into a term facility commitment of AED 4,000 million and a revolving facility commitment of AED 200 million. On 19 May 2023, the Company agreed with the bank for a partial reduction of Facility B, that is, revolving Murabaha facility commitment, to reduce the commitment to AED 50 million instead of the original commitment of AED 200 million. The purpose of the overall borrowing facility is firstly, towards making an upfront payment as per requirements under the Concession Agreement; and secondly, for general corporate purposes including fees and expenses in relation to the Facilities.

Borrowings under the term facility carries variable interest at 3-month EIBOR plus a margin at a rate per annum of 0.82%. The upfront fee under the Facility is 0.4% flat and commitment fee on revolving credit facility is 0.25% per annum, calculated on daily undrawn and available commitments, and payable quarterly in arrears. Transaction costs incurred in relation to the term facility have been deducted from the financial liability amount and considered in the computation of the effective interest rate. The upfront fee allocated to the revolving facility has been capitalised and is amortized on a straight-line basis over the term of the agreement and the same have been disclosed as 'Other asset' in the statement of financial position.

Principal amounts outstanding under the term facility will be due and payable in full on final maturity which is 5 years from the date of the facility agreement.

The Facility contains customary representations and warranties, subject to limitations and exceptions and customary covenants restricting the Company's ability to declare dividends or make distributions in the event of outstanding default or a default that may occur as a result of such dividend distribution. The Company is also required to comply with financial covenant, leverage (Net Debt to EBITDA): 5x or lower tested semi-annually with testing commencing from June 2023. The Company complied with the financial covenant throughout the year ended 31 December 2023.

As at 31 December 2023, the Company has access to the following borrowing facilities:

	2023 AED '000	2022 AED '000
Total available facilities	4,050,000	4,200,000
Facility utilised	(4,000,000)	(4,000,000)
Available financing facility	<u>50,000</u>	<u>200,000</u>

25 PROVISION FOR EMPLOYEES' END-OF-SERVICE BENEFITS

	2023 AED '000	2022 AED '000
At 1 January	2,624	2,377
Charge for the year	699	988
Adjustment	(804)	-
Liability of employees not transferred to the Company on formation	-	(741)
At 31 December	<u>2,519</u>	<u>2,624</u>

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations as at 31 December 2023 and 2022, using the projected unit credit method, in respect of employees' end of service benefits payable under the Government of Dubai Human Resources Management law. Under this method, an assessment has been made of the employee's expected service life with the Company and the expected basic salary at the date of leaving the service. Future salary increases have been estimated on a basis consistent with the natural progression of an employee's salary in-line with the Company's salary scales, past experience and market conditions.

SALIK COMPANY P.J.S.C.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)****26 TRADE AND OTHER PAYABLES**

	2023 AED '000	2022 AED '000
Trade payables - operation and maintenance service provider	39,638	38,727
Advance from customers	5,350	-
Fine refund payables	2,888	2,871
Employee benefits	1,400	1,629
Accruals and other payables	20,976	16,588
	<u>70,252</u>	<u>59,815</u>

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

27 CONTRACT LIABILITIES

As of 31 December 2023, current contract liabilities of AED 299.7 million (2022: AED 294.3 million) and non-current contract liabilities of AED 53.4 million (2022: AED 43.2 million), either relate to account balances paid in advance by the customer or arise from tag sale activation fees. The Company expects to recognise these unsatisfied performance obligations as revenue over a period of up to 5 years. At the end of 5 years any inactive customer account balances will be released and recognised as revenue.

As of 31 December 2023, contract liabilities of AED 76.4 million, arising from tag activation fees will be recognized as revenue as follows:

Year ended	AED '000
2024	23,054
2025	20,543
2026	17,149
2027	11,562
2028	4,096
Total	<u>76,404</u>

Movements in contract liabilities during the year is as follows:

	2023 AED '000	2022 AED '000
At 1 January	337,533	313,346
Add: Recharges during the year	1,859,152	1,673,173
Add: Tag activation fees collected during the year	45,732	40,413
Less: Revenue recognised during the year - tolling fees (Note 6)	(1,845,477)	(1,651,575)
Less: Revenue recognised during the year - tag sales (Note 6)	(38,200)	(32,182)
Less: Inactive balance write-off during the year (Note 6)	(5,681)	(5,642)
At 31 December	<u>353,059</u>	<u>337,533</u>

28 SHARE CAPITAL

The share capital of the Company comprised of 7,500,000,000 (2022: 7,500,000,000) shares of AED 0.01 each. All shares are authorised, issued and fully paid up.

SALIK COMPANY P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

29 STATUTORY RESERVE

In accordance with the UAE Federal Decree Law No. (32) of 2021, 5% of net profit of the Company is to be allocated every year to a statutory reserve. This statutory reserve, as per the Articles of Association, is subject to a maximum of 50%, of the Company's issued share capital. This reserve is not available for distribution except as stipulated by the law. During the year ended 31 December 2022, the Company allocated AED 37.5 million from net profit to statutory reserve. There was no allocation from net profit to statutory reserve during the year ended 31 December 2023 as the Company has reached the maximum limit for the reserve.

30 REORGANISATION RESERVE

The reorganisation reserve is related to the capital reorganisation wherein the Salik Tolling Business was transferred from RTA to Salik Company P.J.S.C. during the year ended 31 December 2022. It represents the difference between the capital contributed by the DoF and the net parent investment resulting from the transfer of tolling business of RTA to Salik Company P.J.S.C. as of 1 July 2022.

The movement in Net parent investment includes the impact of property and equipment not transferred to the Company (Note 18), the net distribution to the Parent (Note 23) and the total comprehensive income for the period 1 January 2022 to 30 June 2022, that is until the date the Company was legally set up and commenced its operations independently.

At the date of incorporation of the Company i.e., 30 June 2022, the Parent has contributed an amount of AED 205 million in the Company comprising of share capital of AED 75 million (Note 28) and remaining AED 130 million of capital contribution to the business. Further, additional capital contribution of AED 16.5 million was made by DoF following the incorporation of the Company. The total capital contribution of AED 146.5 million is not intended to be recalled by the Parent. Accordingly, the resulting Net parent investment of AED 146.5 million is offset by the capital contributed by the Parent and included in the reorganisation reserve.

Net parent investment in the comparative period represents the cumulative net investment by RTA in the Company from the inception of business until the date the business was transferred to the Company.

31 DIVIDENDS

Dividends of AED 1,039,334 thousand were declared and paid during the year ended 31 December 2023 (2022: Nil) with details as follows:

- (a) On 10th August 2023, the Board of Directors approved to distribute a dividend of AED 547,927 thousand (AED 0.073057 per share) to the shareholders, representing 100% of the Company's distributable net profit for the first half of 2023, which was subsequently paid on 6 September 2023.
- (b) Dividend of AED 491,407 thousand (AED 0.065521 per share) in respect of the year ended 31 December 2022 was declared and approved in Annual General Assembly Meeting held on 6th April 2023, which was subsequently paid on 26 April 2023.

32 EARNINGS PER SHARE

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2023	2022
Profit attributable to ordinary equity holders of the Company (AED '000)	1,097,967	1,325,662
Weighted average number of ordinary shares for basic and diluted EPS (number)	7,500,000,000	7,500,000,000
Basic and diluted earnings per share for profit attributable to the ordinary equity holders of the Company (AED)	<u>0.15</u>	<u>0.18</u>

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary equity holders of the Company by the number of ordinary shares outstanding. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary equity holders of the Company and the number of shares on formation for the effects of all dilutive potential ordinary shares. There were no instruments or any other items which could cause a dilutive effect on the earnings per share calculation.

SALIK COMPANY P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

33.1 Financial risk factors

The Company's activities potentially expose it to a variety of financial risks including the effects of changes in market risk (including cash flow interest rate risk, price risk and foreign exchange risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize 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 financial statements.

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

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

At 31 December 2023, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit for the year would have been AED 39,888 thousand (2022: AED 39,856 thousand) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Price risk

Price risk is a 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.

Foreign exchange risk

Foreign exchange risk is a risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are primarily denominated in a currency that is not the Company's measurement currency. The Company is not exposed to significant foreign exchange risk as majority of its transactions are denominated in AED.

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 and other receivables, due from related parties, cash and cash equivalents and short-term deposit with bank.

The Company seeks to limit its credit risk with respect to related party balances by continuously monitoring outstanding balances through the parties involved and with respect to bank balances and deposits by only dealing with reputable banks. The Company has well defined trade and non-trade transactions with related parties. Non-trade transactions entail pre-approval by both parties prior to execution of the transactions with the related parties. The balances are reconciled monthly with the related parties through intercompany reconciliations. These balances are unsecured, however, since these balances are with related parties and there has been no prior history of default, management believes there is no significant credit risk in relation to these balances.

Bank balances are limited to high-credit-quality financial institution and bank ratings are reviewed on an annual basis. Management expects any credit losses from non-performance by these counterparties would be insignificant.

SALIK COMPANY P.J.S.C.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)****33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****33.1 Financial risk factors (continued)****Credit risk (continued)**

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. 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 trade and other receivables as disclosed in Note 21.

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 from the shareholders and flexibility through efficient cash management. The Company limited its liquidity risk by ensuring adequate funds from operations and committed credit lines are available.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	<i>Carrying amount AED '000</i>	<i>Undiscounted cashflows</i>		
		<i>Less than 1 year AED '000</i>	<i>Between 2-5 years AED '000</i>	<i>Total AED '000</i>
As at 31 December 2023				
Borrowings (including future interest)	3,988,779	255,146	4,637,866	4,893,012
Lease liability (Note 17)	7,936	2,264	6,703	8,967
Due to a related party (Note 23)	138,693	138,693	-	138,693
Trade and other payables excluding advance from customers	64,902	64,902	-	64,902
	<u>4,200,310</u>	<u>461,005</u>	<u>4,644,569</u>	<u>5,105,574</u>
As at 31 December 2022				
Borrowings (including future interest)	3,985,573	174,323	4,610,131	4,784,454
Due to a related party (Note 23)	313,492	313,492	-	313,492
Trade and other payables (Note 26)	59,815	59,815	-	59,815
	<u>4,358,880</u>	<u>547,630</u>	<u>4,610,131</u>	<u>5,157,761</u>

33.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of profit distributed to the shareholder, repay debt or obtain additional funding.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and lease liability (as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

SALIK COMPANY P.J.S.C.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)****33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****33.2 Capital risk management (continued)**

The gearing ratio as at 31 December 2023 and 31 December 2022 is as below:

	2023 AED '000	2022 AED '000
Borrowings (Note 24)	3,988,779	3,985,573
Lease liability (Note 17)	7,936	-
Less: cash and cash equivalents (Note 22)	(266,180)	(822,707)
Net debt	3,730,535	3,162,866
Net equity	662,547	603,914
Total capital	4,393,082	3,766,780
Gearing ratio	85%	84%

33.3 Fair value estimation

The fair values of the Company's financial assets and liabilities as at 31 December 2023 and 2022 approximate their carrying amounts as reflected in Note 34 of these financial statements.

34 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	2023 AED '000	2022 AED '000
Financial assets at amortised cost		
Trade and other receivables (excluding VAT receivable and advance to supplier)	136,753	132,350
Due from related parties (Note 23)	139,078	144,308
Short-term deposit with bank (Note 22)	750,000	-
Cash and cash equivalents (Note 22)	266,180	822,707
Total	1,292,011	1,099,365
Financial liabilities at amortised cost		
Long term borrowings (Note 24)	3,988,779	3,985,573
Lease liability (Note 17)	7,936	-
Due to a related party (Note 23)	138,693	313,492
Trade and other payables excluding advance from customers	64,902	59,815
Total	4,200,310	4,358,880

35 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

As at 31 December 2023 and 2022, the Company had outstanding trade receivable balances with gas stations related to the purchases of Salik tag and recharge cards in the amounts of Nil and AED 12.8 million respectively. These financial assets are offset by the commission payable by the Company to the gas stations in the amounts of Nil and AED 0.67 million respectively. The net amount is reported in the statement of financial position. The Company has an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis.

SALIK COMPANY P.J.S.C.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)****36 NET DEBT RECONCILIATION**

The table below sets out an analysis of the net debt and the movements in net debt for each of the periods presented.

	2023 AED '000	2022 AED '000
Cash and cash equivalents (Note 22)	266,180	822,707
Borrowings (Note 24)	(3,988,779)	(3,985,573)
Lease liability (Note 17)	(7,936)	-
Net debt	(3,730,535)	(3,162,866)

	<i>Borrowings</i> AED '000	<i>Lease liability</i> AED '000	<i>Cash and cash equivalents</i> AED '000	<i>Total</i> AED '000
Net debt as at 1 January 2022	-	-	-	-
Cash flows	(3,985,573)	-	822,707	(3,162,866)
Net debt as at 31 December 2022	(3,985,573)	-	822,707	(3,162,866)
Cash flows	-	453	(556,527)	(556,074)
Other movement	(3,206)	(8,389)	-	(11,595)
Net debt as at 31 December 2023	(3,988,779)	(7,936)	266,180	(3,730,535)

37 SUBSEQUENT EVENTSDividend distribution

On 4th March 2024, the Board of Directors proposed to distribute AED 550,035 thousand dividend to the shareholders (AED 0.073338 per share). The proposed dividend is subject to approval by the shareholders at the Company's General Assembly Meeting in April 2024.

Business update

On 19th January 2024, RTA formally assigned Salik to install two new toll gates to optimise traffic flow and reduce congestion on key routes within Dubai. The addition of two gates will increase the total number of gates in Dubai from eight to ten, with the new gates expected to be operational by November 2024.

As per the service concession agreement with RTA (as disclosed in Note 16), Salik will oversee the essential civil works required for constructing, operating and maintaining the toll gates and will acquire the exclusive right to operate the gates until June 2071. With respect to obtaining the right to charge users and operating the gates, the Company shall pay to RTA a fee determined based on valuation of the new toll gates, in accordance with the terms of the service concession agreement with RTA (as disclosed in Note 16).

38 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors of Salik Company P.J.S.C. on 4th March 2024 and signed on its behalf by His Excellency Mattar Al Tayer, Chairman of the Board of Directors and Ibrahim Sultan Al Haddad, Chief Executive Officer.