Annual Report 2022

Driving Dubai Forward

Introducing Salik's very first Annual Report.

Salik Company P.J.S.C. was established through the issuance of Law No. (12) of 2022. It was formerly part of the Roads and Transport Authority ("RTA") and has operated as Dubai's exclusive road toll system since 2007.

Salik announced its intention to float 24.9% of its total issued share capital on the Dubai Financial Market ("DFM") and was officially listed on the DFM on 29 September 2022.

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سالك
Salik

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01

Overview

Salik at a Glance

Helping Dubai grow at the speed of its ambitions

Salik Company PJSC is the exclusive operator of a technologically advanced free-flowing, barrier-free roadway toll system in the Emirate of Dubai, the fastest growing metropolis on the Arabian Gulf. In Arabic, 'salik' means 'clear' or 'open' and in Dubai, Salik guarantees freedom of movement for 3.7 million vehicles. With best-in-class Radio Frequency Identification (RFID) technology at eight automatic gates, Salik optimises the performance of the world's leading smart urban roadway networks to keep an enterprising Emirate growing at the speed of its ambitions.

Established in 2007 within the Roads & Transport Authority (RTA), Salik transformed into a separate legal entity under the Government of Dubai in 2022 and became one of United Arab Emirates' most attractive publicly held toll operations and technology service companies following its Initial Public Offering (IPO) in September 2022, which was more than 49 times oversubscribed.

A major gatekeeper for over 4.5 million daytime residents and visitors, Salik is committed to keeping Dubai open and accessible 24/7, 365 days a year as the Emirate strives to nearly double its urban areas in size and population by 2040. Under its concession with RTA, Salik is Dubai's sole road toll operator until at least 2071, supplying the momentum needed to facilitate the Emirate's efficient and sustainable growth.

30
Full-time employees as of 31 December 2022

15+ Years
Established in 2007

2.1 Mn
Registered active Salik accounts as of 31 December 2022

49 years
Concession duration until 2071

3.7 Mn
Registered vehicles as of 31 December 2022

100%
Exclusive rights to collect from the 8 toll gates & with any future toll gates, in Dubai

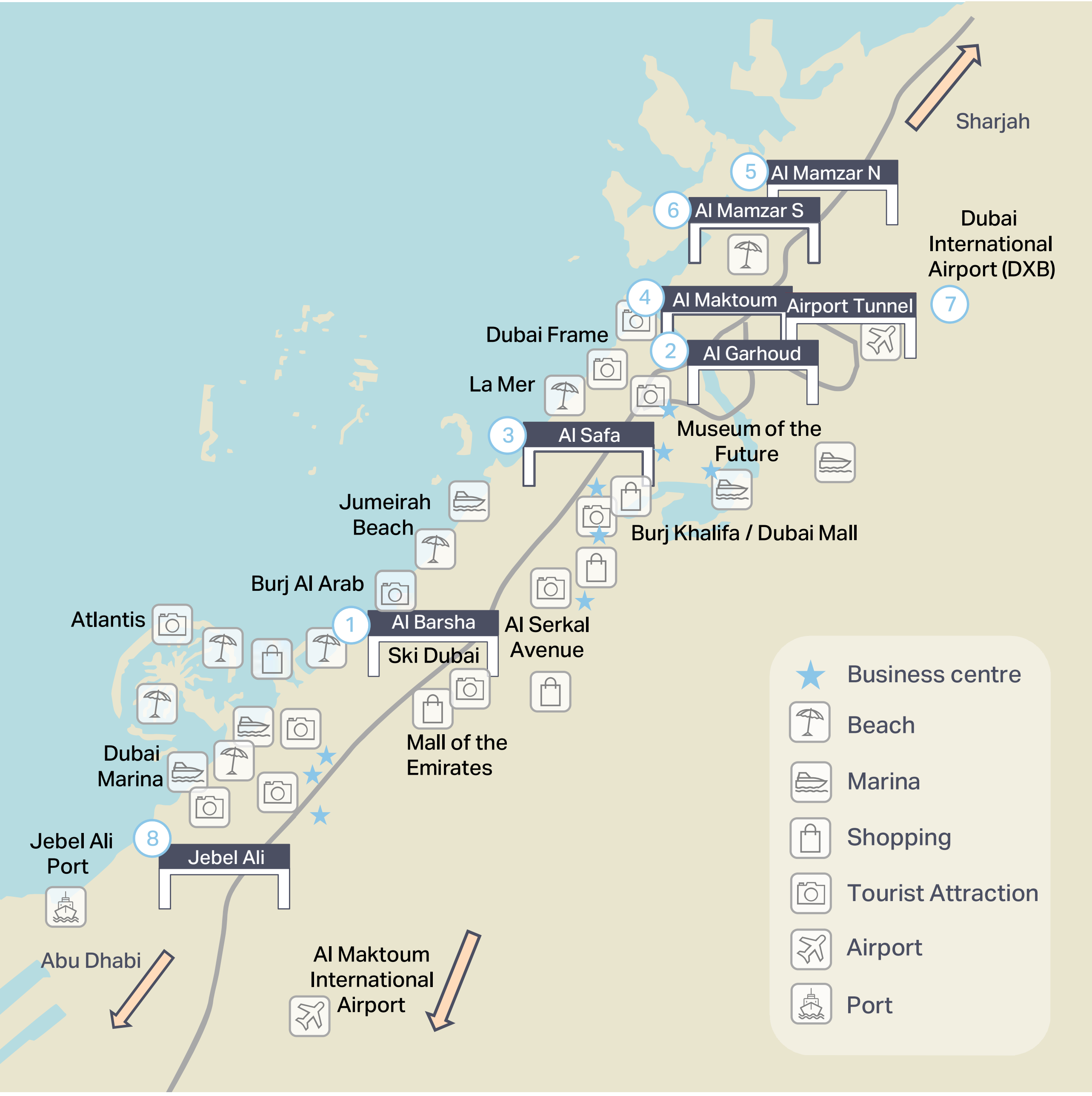
1.48 Mn
Average total trips per day in 2022

8 toll gates
Number of toll gates as of 31 December 2022

AED 688 Mn
Free cash flow in H2 2022*
Margin: 72.6%
From the start of the Concession

Geographic Footprint

High quality core infrastructure asset, serving Dubai's busiest toll road corridor



Dubai is a city that beats to different rythyms, all of which are centered around Salik. Salik connects all the key residential and business areas across the city. As the leading travel destination for business and tourism alike, Salik connects Dubai's best known touristic landmarks, beaches, and largest business centers, as well as the city's two international airports.

Our gates are located along the main artery between Sharjah and Abu Dhabi - the next two most-populated emirates, after Dubai. This makes Salik ideally positioned to cater to the residents who commute daily to or via Dubai for work or leisure, which is especially noteworthy as Dubai enjoys one of the highest vehicle densities globally, with more than 60% of Dubai's commuters using private vehicles.

8 toll gates

3.70 Mn
Registered vehicles as of 31 December 2022

539 Mn
Total trips in 2022

1.48 Mn
Total trips per day

Our History

2007
- Salik is established as a business unit in the RTA
- First two toll gates open at Al Barsha and Al Garhoud

2008
- Toll gates open at Al Safa and Al Maktoum

2009
- Net toll traffic reaches 192 million trips in year
- Salik wins International Bridge, Tunnel and Turnpike Association (IBTTA) Toll Excellence Award for Customer Service

2012
- Net toll traffic reaches 210 million trips in year

2013
- Toll gates open at Airport Tunnel, Al Mamzar North and Al Mamzar South

2014
- Smart Salik mobile phone app launched

2017
- Salik de-links Al Safa and Al Barsha gates, boosting toll revenue

2018
- Jebel Ali toll gate opens

2019
- Salik launches paperless operations initiative
- Net toll traffic reached pre-COVID high, rising to 441 million trips in year

2020
- Salik completes paperless rollout, saving 40 tons of CO_2 per year

2021
- Dubai and RTA announce intention to carve out and list Salik in Initial Public Offering

2022
- 17 June – Salik Company PJSC officially incorporates in Dubai
- 1 July – Salik officially commences business under Concession Agreement with RTA
- 31 August – UAE Securities & Commodities Authority approves Salik IPO
- 1 September – Salik launches new corporate rebrand on its toll gates and website with a new logo ahead of IPO
- 13 September – IPO sale of 1.5 billion Salik shares commences at AED 2 per share
- 16 September – Amidst high demand, Dubai increases Salik IPO size by 367.5 million shares
- 22 September – IPO sale of 24.9% stake ends as investor demand more than 49 times oversubscribed
- 29 September – Salik shares begin trading on Dubai Financial Market under ticker symbol SALIK
- 21 November – Salik becomes member of benchmark DFM Industrials Index, after previously being named to the DFM Transportation Index

A History of Customer Service Excellence

2008	• Best New Call Centre Award, INSIGHTS Middle East
2009	• Toll Excellence Award for Customer Service, International Bridge, Tunnel and Turnpike Association (IBTTA)
2011	• Best Public Call Centre Award, INSIGHTS Middle East
2012	• Best Medium Call Centre Award, INSIGHTS Middle East
2014	• Best Government Call Centre Award, INSIGHTS Middle East • Best Escalation Process Management Award, INSIGHTS Middle East • Toll Excellence Awards, Technology Award, IBTTA
2015	• Best Government Call Centre Award, INSIGHTS Middle East • Best Call Centre in Dubai, Hamdan Award
2016	• Best Medium Call Centre Award, INSIGHTS Middle East • Best Government Call Centre Award, INSIGHTS Middle East • Best Call Centre Award Essay, INSIGHTS Middle East
2017	• Toll Excellence Award for Toll Operations, Engineering & Maintenance, IBTTA • Award for Best RTA Call Centre, Testahel
2018	• Best Medium Outsourced Call Centre Award, INSIGHTS Middle East
2019	• Best Medium Outsourced Call Centre Award, INSIGHTS Middle East
2021	• Best Government Helpdesk Award, INSIGHTS Middle East • Best Medium Call Centre Award, INSIGHTS Middle East • Best Government Call Centre Award, INSIGHTS Middle East
2022	• Best Outsourced Helpdesk of Year Award, INSIGHTS Middle East • Best Outsourced Call Centre of Year Award, INSIGHTS Middle East • Problem Solver Award, Top 3 Finisher, INSIGHTS Middle East

Year in Review

With a transformative IPO, Salik takes pole position in Dubai's future

The decision to offer shares in Salik Company PJSC in September 2022, which came as a part of the Government's plan to boost the size of Dubai's stock market, fundamentally transformed the exclusive operator of the Emirate's seamless, barrier-free roadway toll system.

The Initial Public Offering transformed Salik from a road toll collection unit within the RTA to a legally self-standing public joint stock company 24.9% owned by domestic and international investors, with an initial market value of about AED 15 billion.

More than 49 times oversubscribed in one of the most successful IPOs of the year in Dubai, Salik gained momentum during its first year as a listed company, launching a new logo and booking double-digit percentage increases in revenue as Dubai rebounded from COVID.

The journey from a business unit under the RTA to a listed company took place in a series of distinct steps -- some legal, some organisational, some financial -- which culminated on 29 September 2022 with Salik's admission to the Dubai Financial Market (DFM).

What follows is a brief chronology of events in 2022 that led to the creation of Salik Company PJSC:

11 June - Salik is officially incorporated. The Ruler of Dubai, His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE, issues Law No. (12) of 2022 establishing road toll operator 'Salik Company PJSC' as a Public Joint Stock Company (PJSC). The law set in motion the IPO.

17 June - Salik PJSC receives trade licence. The Dubai government issues Salik its incorporation documents and certificates, including its official trade licence.

23 June - Salik Board appointed. The Dubai Executive Council appoints the seven members of Salik's Board of Directors, chaired by His Excellency Mattar Al Tayer, the Board Chairman of RTA.

30 June - Articles of incorporation approved. The Dubai Executive Council approves Salik's articles of incorporation, setting the structure and direction of the listed roadway toll operator.

30 June - Bridge financing obtained. Salik obtains AED 4.2 billion in term and revolving financing from Emirates NBD Bank to pay an upfront fee to RTA.

30 June – Salik appoints top management. Salik appoints its first executive management, led by Ibrahim Al Haddad, a nine-year RTA veteran with expertise in commercial transformation, public private partnerships and megaproject management, as Salik CEO.

1 July – Salik starts operations as PJSC. Salik begins its activities as the sole operator of Dubai's roadway toll network under a Concession Agreement and Transitional Service Agreement with RTA, which define the parameters of Salik's relationship to RTA and the initial period of shared services.

1 July - RTA completes transfer of contracts to Salik. Through a 'novation' process, RTA completes the transfer of all relevant third-party contracts to Salik for the toll operating system, effective from 1 July.

1-31 July - Salik pays upfront concession fee. During July, Salik pays its initial AED 4 billion upfront fee to RTA.

1 September - Salik launches new corporate logo. Salik, in September, replaces its traditional red logo which was strategically modeled similarly to the RTA logo, with a new slick grey and pebble grey logo and corporate identity which is now reflected on toll gates and the web.

5 September - Salik announces intention to float shares. Salik announces its intention to sell 1.5 billion shares, amounting to a 20% stake, on DFM, during a subscription period running from 13-21 September.

13 September - Salik announces AED 2 share price. Salik announces it will sell 1.5 billion shares at AED 2 each, raising AED 3 billion.

16 September - Salik increases IPO volume to 24.9%. Salik announces that the Dubai government has decided to increase the number of Salik shares sold to 1,867,500,000 shares, increasing the IPO to a 24.9% stake. Following the sale, the Dubai government, through the Department of Finance, retains a 75.1% stake.

19 September - UAE SCA approves Salik's listing on DFM. The UAE Securities and Commodities Authority approves the sale of the first Salik shares to investors in an Initial Public Offering on Dubai Financial Market.

22 September - IPO completed. Salik announces completion of the book-building sale and public subscription period; the sale is more than 49 times oversubscribed.

29 September - Salik shares begin trading. Members of Salik's Board of Directors and executives hold a bell-ringing ceremony at Dubai Financial Market to mark the first day of the trading of its shares under the ticker symbol SALIK.

31 October – Salik joins DFM indices. Salik joins the DFM General Index and DFM Transportation Index.

10 November – Salik announces Q3 results. Salik announces that Q3 revenue saw a 9.1% rise amounting to AED 445 million in comparison to AED 408 million a year earlier, as toll usage fees rose 9.9%.

21 November - Salik joins DFM Industrials Index. Salik is named a member of the DFM Industrials Index.

Parallel to the IPO proceedings, Salik experienced in 2022 continued recovery in revenue as COVID travel restrictions were lifted, causing Dubai traffic volumes and population to significantly grow.

In November, Salik won three prestigious awards for customer service from INSIGHTS Middle East, continuing its more than 15-year legacy of winning top national and regional awards. In the Call Centre/CX category, Salik won the Best Call Centre of the Year and Best Outsourced Call Centre of the Year awards, finishing among the top three entries in the Best Problem Solver Award.

The Company also made continued progress to build out its management team, hiring Tariq Ismail Mohammad, a former Hassantuk Program Director at Injazat Data Systems, as its Chief Technology Officer and Tariq Al Mutawa, a former Emirates Airlines Manager for Thailand, Kuwait, Iraq, Bahrain and Qatar, as its Support Services Director.

Investment Case

There are many compelling reasons to invest in Salik, Dubai's exclusive toll operator, which has provided barrier-free, seamless mobility along one of the world's best road and transportation networks for 15 years. Designed to operate efficiently in an effective regulatory framework that supports growth, Salik ensures seamless mobility in one of the world's fastest growing economies.

The 2022 Initial Public Offering of a 24.9% stake in Salik provided investors with a unique opportunity to access Dubai's exciting growth story through exposure to a high-quality infrastructure asset.

Salik's investment case is broad-based and derives only in part from its position as the sole toll gate operator of Dubai's road network, which allows it to benefit from the growth momentum generated by Dubai's ambitious urban expansion. To supplement its core business, Salik also has the flexibility to pursue additional growth levers, such as from consulting, advertising and data monetisation.

The underlying quality of Salik's industry-leading, technologically advanced digital infrastructure asset, which is an essential contributor to Dubai's growth, is another major plus, as is the favourable regulatory framework Salik operates within in Dubai, which is designed to provide the company with significant downside protection from inflation while accommodating future growth.

Especially important to investors is Salik's Capex-light business model, which enhances business agility, fuels growth and permits a focus on core capabilities that result in high cash-conversion levels and best-in-class operating margins. Equally attractive is Salik's orientation as a forward-thinking organisation with a sustainable agenda that aligns with Dubai's own ESG goals.

01.

Position as exclusive toll gate operator in Dubai

Salik is the sole toll gate operator in Dubai through a 49-year Concession Agreement, exclusively operating the Emirate's existing eight toll gates as well as any new gates that may be added over the life of the agreement, which runs through June 2071.

The toll gates are located at strategic junctures, bridges and other high-traffic areas across Dubai, which significantly reduces commuting times, encouraging their use. Running algorithms on trips between two Dubai business centres – from Dubai Media City to Downtown/Dubai International Airport – showed that Salik toll roads saved on average 45% of journey time compared with toll-free roads.

In an urban area with one of the world's best road and transportation networks and some of the world's most affordable fuel prices, where more than 60% of commuters prefer to use cars for mobility, Salik is a critical asset for Dubai, and a linchpin in the Emirate's ambitious growth strategy.

02.

Strong growth momentum from Dubai's ambitious expansion agenda and Salik's organic initiatives

Salik is uniquely positioned for organic growth, driven by the ongoing expansion of Dubai, a regional hub and leading global centre for real estate, finance and trade. Dubai's economic growth and expansion agenda will continuously provide strong economic tailwinds for Salik's core business, as the Emirate builds out its population and economy in the years ahead.

Investors are poised to benefit from the economic resilience of the UAE and Dubai, whose consistent ability to generate strong growth has helped the region rebound quickly from cyclical downturns and unique disruptions such as COVID to maintain durable, sustainable growth.

From 2015-2019, UAE GDP grew faster than average globally, rising by a 4.1% compound annual growth rate (CAGR), compared to a 3.4% CAGR average for developed countries. Within the UAE, Dubai has been at the forefront of growth, driving Salik's organic expansion. From 2013 to 2019, Salik's net toll traffic grew at a 5.5% annual CAGR, exceeding Dubai's real GDP CAGR of 3.2% during the period.

Salik's number of trips has also increased rapidly since the start of the pandemic in 2020, growing by 35% by the end of 2022.

With 3.5 million permanent residents and 4.5 million daytime residents as of 31 December 2021, Dubai is targeting 70% population growth from 2020 to 2040. The Emirate is undertaking many initiatives to increase its population, ranging from liberalizing certain social policies, dramatically expanding tourism and offering attractive resident visas to investors and ex-pat professionals.

Building on the success of Expo 2020, which drew over 24 million visitors, Dubai is planning to expand tourism to the Emirate by 50% by 2025, in part by hosting 400 major global events each year. The UAE's recently announced National Tourism Strategy to attract AED 100 billion in tourism investments and bring 40 million hotel guests annually to the region by 2031 will also support Salik's core business.

On an infrastructure level, Dubai is already putting in place the foundations of an urban metropolis to accommodate nearly double the existing population. The Dubai 2040 Urban Master Plan calls for developing and investing in five interconnected urban centres, three of which are linked via Sheikh Zayed Road, the main transport artery of Dubai and the UAE, with Salik's existing toll gates.

Investment Case

03.

Positioned to benefit from additional growth levers

Salik is uniquely positioned to benefit from employing a variety of additional levers to supplement its core toll gate business, such as consulting, advertising, data monetisation and the addition of new toll gates in Dubai.

Salik's future performance will be driven by these multiple layers of additional growth, which provide an upside to its core business. Addition of gates is one of the strategies adopted by RTA for effective traffic and congestion management.

In order to further facilitate seamless mobility across the Emirate, Salik has the opportunity to implement a dynamic toll pricing model, to be studied and recommended by RTA and subject to Dubai's Executive Council (TEC) approval, providing yet another avenue for revenue growth.

As one of the few road toll operators in the Middle East, Salik also has the opportunity to leverage its industry expertise and know-how by offering consulting services, advising regional entities considering or building their own toll collection networks.

There is also opportunity to leverage Salik's large user base of 2.1 million registered active Salik accounts to sell advertisements through Salik's app, the Salik website and on Salik road tollgates. About 1.48 million trips through Salik's eight toll gates were recorded each day in 2022.

Data monetisation is another commercial opportunity Salik can pursue as it owns the right to Salik data. In data monetisation, Salik can partner with retailers, insurance providers and other businesses to present Salik customers with customised offers based on data collected per user through electronic tag stickers and the Salik App. This would create a strong marketing opportunity for local businesses.

These additional growth opportunities are currently being studied and would be announced to the market once their technical and commercial feasibility is established.

04.

Technologically advanced, financially well-supported core infrastructure asset

The digital core of Salik's business, its technologically advanced, automated toll collection system, is one the company's inherent strengths, which distinguishes Salik from peers and consistently draws awards recognition from industry groups.

The frictionless, free-flowing toll system, which is based on RFID and Automated Number Plate Recognition (ANPR) technologies, operates without toll booths or other impediments to traffic flow. The custom-built technology is best-in-class and fit for purpose, ensuring superior operating performance.

Salik will continue to prioritise investing in its core technology to ensure it maintains its position as a pioneer of tech-enabled innovation in the sector. This will boost operational reliability and put Salik in a position to monetise future revenue streams.

To sustain the strong growth Dubai is targeting, RTA intends to continuously develop the Emirate's infrastructure, including its roadway system. RTA was allocated AED 5 billion in the Dubai government's 2022-2024 budget to support this goal, which will enhance the underlying value of Salik.

The annual Salik concession fee payable to the RTA under its Concession Agreement will support the ability of RTA and the Dubai government to develop the roadway system in a manner that ensures that the economics of Salik, as a strategic asset, will be maximised to achieve Dubai's growth agenda.

Investment Case

05.

Favourable regulatory framework provides downside protection, accommodates future growth

Salik's regulatory framework helps ensure alignment between Salik and its principal stakeholders, RTA and the Dubai government. While RTA's mission is to maintain the Emirate's roadway infrastructure in a way that furthers the broader development of Dubai, the Concession Agreement also incentivises RTA to support Salik's development, and in the case of revenue challenges brought by inflation and unforeseen costs, for example, provides downside protection to Salik shareholders through various mechanisms such as increasing the toll fee or reducing Salik's concession fee.

For Salik, improved certainty around expected growth encourages the company to invest in future opportunities as well as in maintenance to secure the high quality nature of the asset base, and maximise returns. The 49-year length of Salik's concession with RTA is one of the longest in the industry. The agreement protects the rights of non-controlling interests, including disincentives for early terminations.

06.

Capex-light business model brings high cash conversion levels, best-in-class operating margins

A major advantage for investors is Salik's business model, which is Capex-light in nature and contributes greatly to generation of high cash conversion levels and best-in-class operating margins.

The model has been designed to consistently produce superior results than many of its global infrastructure concessionaire peers, who typically exhibit lower profit margins and cash conversion.

The capital expenditure to develop Dubai's road networks and toll gates, and the maintenance required for existing and new road networks, are fully borne by the RTA. Salik benefits from the resulting favourable net working capital dynamics, as the majority of its revenue is collected from pre-paid accounts, which contributes to Salik's high cash flow generation.

This produces a competitive Capex profile for Salik of just 0.1%, which is extremely favourable compared to the 30% industry average. Low Capex profiles typically lead to stable, highly predictable cash flow generation, granting Salik great flexibility with regards to the payment of dividends.

Similarly, Salik's cash conversion rate of 99%+ over the last three years further solidifies its attractive financial profile by creating room for significant returns to shareholders.

06.

Capex-light business model brings high cash conversion levels, best-in-class operating margins

Salik's EBITDA margin of 67.5% post-concession fee in H2 2022 is one of the highest in the industry.

Salik's capital structure has been optimised to be fit-for-purpose, providing the Company with the financial flexibility to optimise debt servicing costs, while ensuring an adequate and stable dividend stream that is resilient and maintained through potential economic slowdowns.

Salik currently has the debt capacity and operational cash flow to fund the valuation of any potential future gates.

07.

Forward-thinking organisation with a sustainable agenda, aligned with Dubai's ESG goals

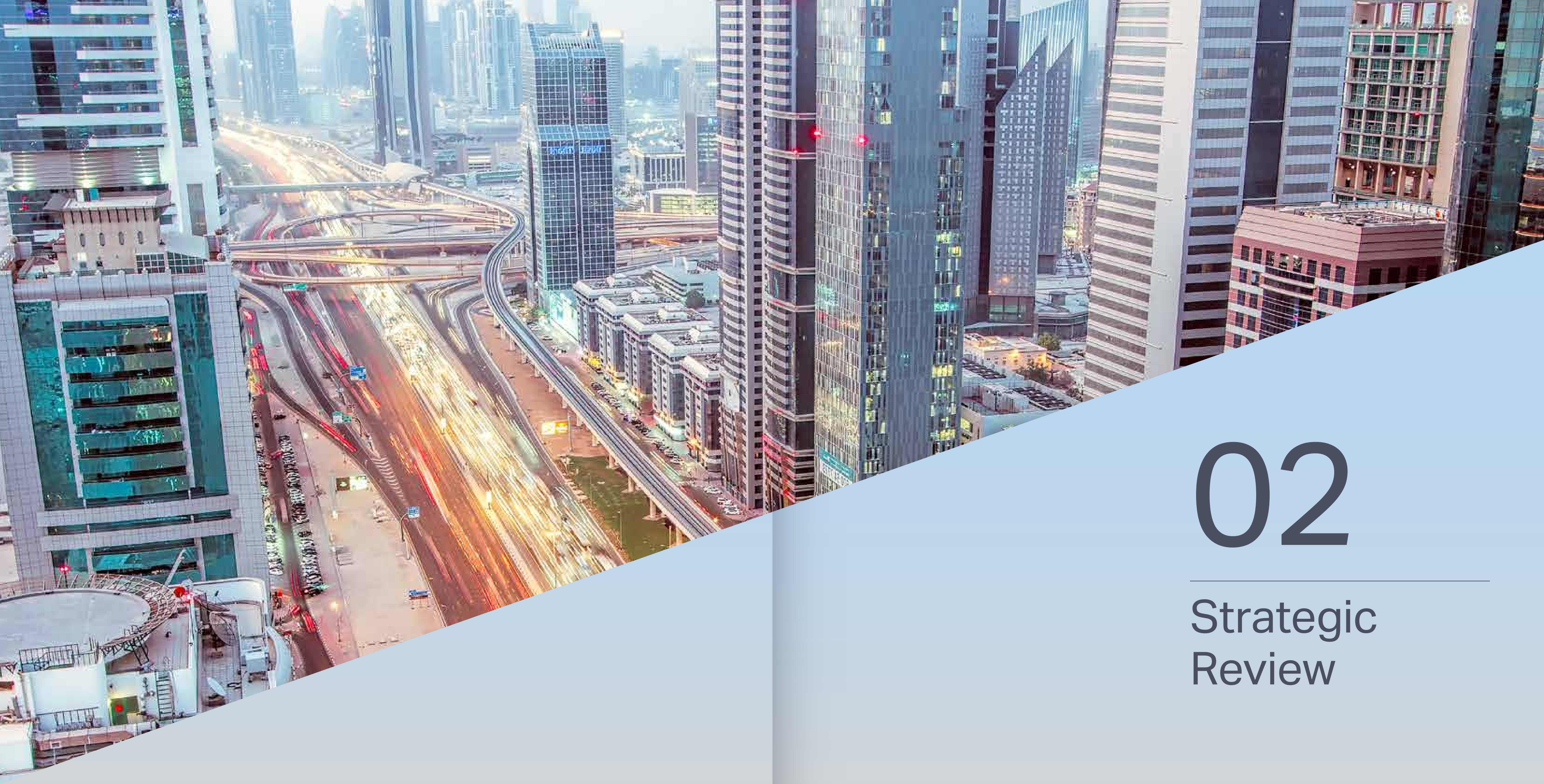
Salik is a forward-thinking organisation with a sustainability agenda that is aligned with Dubai's own Environmental, Social and Governance (ESG) goals.

Salik supports the Government's objective to achieve net zero by 2050. Salik is also aligned with Dubai's green energy transition, partly due to its free-flow toll gate system, which reduces congestion by reducing starting and stopping, thereby helping to lower emissions.

Salik has adopted a paperless strategy that reduces its CO_2 output by 4.9 million tons annually. The company also provides free RFID tags to electric vehicle owners, and plans to install solar panels throughout its existing gates in the coming years.

Socially, Salik's 'people focus' translates into a human capital program based on equality, inclusivity, training and development. Customer satisfaction with Salik is at 92%, and the Company has won 22 major awards for customer service since 2008.

Salik has adopted best-in-class governance practices including placing non-executive directors and the CEO on the Board of Directors, and on the Independent Audit and Remuneration committees. Salik enforces strict ESG screening for all vendors.



02

Strategic Review

Chairman's Statement

Essential, efficient and exceptional, Salik offers unique value to investors

"I am confident that Salik, which has started to explore growth initiatives aside from its core toll business, has the ability to deliver great value over the long term to shareholders"

Dear Shareholders,

I am proud to present the first integrated annual report of Salik PJSC, the exclusive toll operator of the Emirate of Dubai and digital gatekeeper of one of the world's most modern and efficient urban road networks.

2022 was a historic year for Salik, which was founded in 2007 as a business unit within Dubai's Roads & Transport Authority (RTA), and for 15 years has helped manage traffic flows in the Emirate.

The sale of a 24.9% stake in Salik was a transformative event for Dubai's seamless, digitally powered, barrier free toll system. The Initial Public Offering in September broadened Salik's financial horizons and gave investors a chance to share in the expansion of one of the world's fastest-growing cities.

Not only did the IPO, which was more than 49 times oversubscribed, result in total gross proceeds of over AED 3.7 billion, it placed Salik in pole position to benefit from Dubai's ambitious expansion plans and Salik's own growth initiatives. It also supported the vision of Dubai's leadership, His Highness Sheikh Mohammed bin Rashid Al Maktoum, to double the size of Dubai Financial Market through the listing of strategic assets.

The overwhelming response to Salik's IPO reflects the global investor community's continued trust and confidence in Dubai's capital markets and the diverse strengths of Salik, which include its role as Dubai's exclusive toll gate operator until at least 2071, Dubai's beneficial regulatory framework, Salik's robust, asset-light business model and its strategic importance to Dubai's ambitious growth agenda.

As Dubai continues to grow, I am confident that Salik, which has started to explore growth initiatives aside from its core toll business, has the ability to deliver great value over the long term to shareholders.

With its state-of-the-art digital infrastructure, 15-year history of seamlessly managing traffic in a rapidly changing urban environment and highly experienced management team, Salik will be a key enabler of Dubai's future by keeping the Emirate at the global forefront of smart driving mobility.

Dubai's road and transportation network, supported by Salik's advanced technology, is one of the best in the world in terms of efficiency and road quality. Salik is committed to developing this strategic asset, built and maintained by RTA, to meet Dubai's growing needs five, ten and fifty years from now.

With a business model that requires low capital expenditures and generates best-in-class cash conversion margins, Salik enters this new phase of partial public ownership with momentum as the Emirate of Dubai recovers from COVID-19 and resumes its impressive expansion.

Total revenue in 2022 at Salik rose 11.8% to AED 1.9 billion from 2021, as the number of revenue-generating trips through Salik's eight digital toll gates reached 413 million, up 12.6%.

In April 2023, Salik is poised to pay its first dividend to shareholders, subject to approval at the General Assembly meeting, which will represent 100% of the available net profit from H2 2022 minus a one-time statutory reserve requirement of AED 37.5 million.

By October, the Company intends to pay the second of its biannual dividends, as is planned every year, returning 100% of net profit from H1 2023 available for distribution to shareholders.

For investors, Salik is a smart and profitable way to share in the growth of Dubai.

Dubai attracts millions of residents and investors each year. By 2040, the Emirate plans to become the largest urban metropolis on the Gulf, with 7.8 million daytime residents, 73% more than in 2021.

Total Revenue 2022
AED 1.9 Bn

Total number of revenue-generating trips in 2022
413 Mn

Salik will ease the journeys of Dubai's current residents and the millions who inevitably follow.

Thank you for joining us.

Mattar Al Tayer
Chairman
Board of Directors

CEO's Message

With new investors, a new logo and new horizons, Salik sets a bold course

"Salik delivered strong results during 2022, its first year as a publicly traded company on Dubai Financial Market."

Dear Shareholders,

I am delighted to introduce to you Salik Company PJSC's inaugural integrated annual report, which showcases the achievements of Dubai's leading toll gate operator and one of the most prominent smart urban mobility network operators globally. Since its establishment in 2007, Salik has played a significant role in facilitating the city's rapid growth and fulfilling its ambitions for over 15 years.

The Emirate's emergence as a global hub for tourism, trade and real estate drew momentum in 2022 from the frictionless mobility supplied by Salik, whose best-in-class, barrier-free toll gate technology provides a seamless travel journey for Dubai's rapid population and economic growth.

With the Initial Public Offering last September of a 24.9% stake that was more than 49 times oversubscribed, Salik entered a new phase in its evolutionary journey, providing investors with a direct opportunity to access Dubai's exciting growth story through one of the Emirate's highest-quality infrastructure assets.

Drawing on the strength of a bold new brand remake, continued high levels of customer satisfaction and the rapid recovery to pre-COVID economic activity in Dubai, Salik delivered strong results during 2022, its first year as a publicly traded company on Dubai Financial Market.

Revenue in 2022 rose 11.8% to AED 1.9 billion from AED 1.7 billion in 2021, as a total of 413 revenue-generating journeys were taken through Salik's eight toll gates in 2022, up 12.6% from 2021 and approaching pre-COVID levels in 2019.
Salik delivered EBITDA of AED 640 million from the start of the Concession Agreement in July, to December, with solid profit margin of 67.5% during the second half of the year.

The 'carve out' creation of Salik from government-owned Roads & Transport Authority into a self-standing legal entity, and resulting sale of 1,867,500,000 shares to investors in the IPO, were paradigm-changing events in 2022 for Salik, whose advanced technology moves tourists and residents seamlessly between Dubai's many landmark destinations.

Not only did the IPO advance Dubai's Government plan to attract foreign investment, the additional shareholders gave Salik a new pillar of financial strength upon which to build its legacy as one of Dubai's most effective digital catalysts for the Emirate's continued growth.

With the transition to a public joint stock company in 2022, Salik successfully rolled out a new brand identity across its web platforms and toll gates, replacing its familiar red-themed logo associated with RTA with a slick grey Salik logo to underscore its transition to a standalone entity.

Public approval has been positive, with Salik maintaining and building upon its award-winning customer satisfaction rate of 92%. In 2022, Salik added to its more than decade-long record of customer service excellence by winning three prestigious regional awards from INSIGHTS Middle East in the Best Outsourced Help Desk of the Year and Best Outsourced Call Centre of the Year categories, and finishing amongst the top three entries in the 2022 Problem Solver Award.
Salik's post-IPO commitment to setting a standard for superior customer service is part of its corporate DNA, which focuses on deploying digital solutions to raise living and environmental standards that support Dubai's ESG agenda.

At the community level, Salik in 2022 provided thousands of exemptions and subsidies for vehicles of determination, public transportation, school buses and operators of electric vehicles, amongst others. Our decision to transition to a paperless operation saved another 4.9 tons of CO_2.

Salik also began exploring the feasibility of developing new revenue sources, which may include advertising, consulting and traffic data monetisation. Whilst these considerations are at an early stage, I can assure you that we will move swiftly to capture new revenues that are value-enhancing to the business as and when the opportunities arise.

I am personally grateful for the generous support of our strategic partners and stakeholders in the Dubai Executive Council and RTA, and especially for the leadership and guidance of His Excellency Mattar Al Tayer, Chairman of Salik's Board of Directors and the Chairman of RTA's Board of Directors.

Having kept Dubai moving for 15 years, Salik is committed to remaining at the heart of the city's economic expansion plans for years to come. With Dubai's growth unbroken, Salik in 2023 will deliver the speed a growing metropolis needs to seize the day, shape its future and prepare for the road ahead.

Thank you for being a part of this exciting journey.

Best regards,

Ibrahim Sultan Al Haddad
Chief Executive Officer
and Board Member
Salik Company PJSC

EBITDA (H2 2022)
AED 640 Mn

Profit Margin (H2 2022)
67.5 %

Overview of Strategy

Propelled by Dubai's relentless growth, rising traffic volumes and alternative revenue sources, Salik is designed to leverage the Emirate's expanding footprint

Salik pursues a strategy of enhancing its brand image by providing top-notch customer service and a seamless customer experience. Currently, Salik has a 92% customer satisfaction rating.

Salik's growth is underpinned by three main pillars focusing on the organic growth of the existing tollgate system, the potential addition of new toll gates, and generation of additional commercial revenues from multiple new sources such as advertising, data monetisation and consulting services, among others.

This well-rounded approach to growth allows Salik to further leverage Dubai's own rapid expansion, which is being driven by the Emirate's ambitious plans to nearly double its population and economy through the welcoming of residents, tourists and new businesses over the next two decades.

Organic growth

In terms of organic growth, the robust outlook for Dubai's evolution into a commercial and business hub will be clearly supportive of Salik's plan to capture future traffic growth across the growing city. Salik's position as the exclusive toll operator of Dubai's eight-gate toll system, and any additional gates that may be added through 2071, will drive the growth of future revenue.

Salik's open-road, barrier-free, tolling system, built with best-in-class technology, is constantly upgraded to reflect the latest advancements in technologies. It further enables the Company to most efficiently leverage the increasing traffic resulting from the expansion of Dubai's urban footprint, driving its own revenue growth.

Organic growth of Salik's business will be bolstered by the recruitment and economic development efforts Dubai has set in motion in its 2040 Urban Master Plan, which ultimately aims to boost the local population by creating five interconnected urban centres built along the Salik road network.

Dubai's economic expansion is already resulting in growth in GDP and population, benefitting Salik.

From 2015 to 2021, Dubai's real GDP rose annually by 2.1% to 6.0%, according to official figures, excluding a one-time contraction in 2021 caused by the COVID pandemic. Looking ahead, growth in Dubai's real GDP is expected to remain strong through 2025, with annual increases of 2.8% to 4.2%.

The growing economy has expanded Dubai's daytime population of residents and commuters from Abu Dhabi, Sharjah and other parts of the UAE, which has supported Salik's revenue growth. Since 2015, Dubai's daytime population has risen by 4.3% Compound Annual Growth Rate (CAGR) to approximately 4.5 million at the end of 2021.

From 2022 through the life of Salik's current 49-year concession agreement with RTA, Dubai's daytime population is projected to grow by 73% to 7.8 million by 2040. Besides an influx of new residents attracted by visa programs and new business opportunities, Dubai aims to boost its daytime population through tourism and conventions, with more than 400 global events planned per year by 2025.

Potential to add new gates

Salik has historically added new gates in line with the population growth to meet Dubai's traffic needs. Over Salik's first 11 years, the toll system has expanded to its current eight gates, acting as a partner in achieving the government's traffic management goals whilst offering Dubai motorists a seamless mobility experience.

In the second year of Salik's existence, the Company doubled the number of toll gates from two to four as traffic on the new toll road system more than tripled from 42 million in 2007 to 140 million in 2008. Five years later, Salik added three more gates when urban growth drove a more than 50% jump in net toll traffic to 319 million in 2013 from 210 million in 2012.

> *"Salik has the advantage of being the sole operator of any new gates that may be added to the Dubai road toll system."*

In 2018, Salik added its eighth gate and net toll traffic reached 412 million. In 2019, Salik achieved a record 441 million in net toll traffic. In 2022, net toll traffic increased 13.2% year-on-year to 419 million from 370 million in the previous year.

The strong growth in population and economic development projected for Dubai over the coming years is expected to require the need for tools to optimise traffic, which would create avenues for Salik to boost its revenues.

The creation of five interconnected urban centres in Dubai will result in traffic on new roads and thus grow the need to regulate circulation on these new areas of the city.

The strong growth in population and economic development projected for Dubai over the coming years will require the need for further traffic solutions.

Salik has the advantage of being the sole operator of any new gates that may be added to the Dubai road toll system.

RTA's process for assessing new gate opportunities is transparent, customer-friendly and data driven. The process calls for a detailed action plan backed by technical studies that analyse existing traffic patterns and weigh the potential impact of new gate alternatives. Once a decision is taken by RTA and approved by The Executive Council, RTA typically communicates the opening of new gates at least 3-6 months in advance.

Overview of Strategy

Development of new commercial revenues

Following its carve out as a separate legal entity in 2022, Salik has established a separate business unit within the organisation to study future avenues of growth. The team has begun to explore options for developing new revenue streams across multiple areas including advertising, data monetisation, consulting services, among others.

Selling advertising and outsourcing the Company's toll management expertise or selling traffic data to business partners is one of the many methods that presents ample opportunities for revenue growth.

Dynamic pricing, which involves varying toll tariff rates depending on peak- and off-peak periods, or based on toll gate locations, or based on lanes to manage traffic and reduce congestion, may be studied and implemented in the future by RTA, subject to the approval of The Executive Council. Based on other similar implementations globally, dynamic pricing has a strong potential to enhance mobility across the emirate.

Salik's digital toll network system would allow for a relatively smooth transition to dynamic pricing if implemented.

In advertising, Salik has the potential to leverage its growing customer base through its app, the web, its RFID tags, recharge cards and on its tollgates themselves. In 2022, about 1.48 million trips were made through Salik's eight gates each day. There are 2.1 million registered active Salik accounts and 1 million registered online users. In 2022, Salik sold about 803,000 RFID tags and 2.1 million recharge cards.

Data monetisation is another very important commercial opportunity that Salik can pursue as Salik owns the right to the data. In data monetisation, Salik has a strong opportunity to market data to local businesses, partnering with insurance providers and others to offer Salik clients customised offers and opportunities based on data collected through electronic tags stickers and the Salik App.

Another opportunity that the company can pursue is consulting services. Given the scarcity of experienced toll operators in the region, Salik can leverage its deep expertise and talent to provide consulting services to other international authorities within the region as and when the opportunity arises.

Market Overview and Outlook

With one of the world's best roadway networks, Salik is perfectly positioned to provide Dubai the tempo it needs to grow

Salik is strategically positioned as the exclusive operator of road toll gates in one of the most rapidly developing cities globally that is a regional hub for trade, tourism and real estate.

Dubai has had robust GDP growth historically with an average real GDP growth of 3% between 2015 to 2019. While the economy contracted during the pandemic similar to the economies across the world, there was a strong recovery in 2021 driven by several factors. Dubai's real GDP rose 6% in 2021 year-on-year and government forecasts say Dubai is poised for strong, steady annual growth of 2.8% to 4.2% through 2026. In 2023, Dubai real GDP is expected to climb to a record AED 419 billion.

Dubai draws its economic vitality and resilience from its diversified economy. Trade, finance, insurance, manufacturing, real estate, transport and warehousing make up almost two-thirds (64%) of Dubai's economy, based on 2020 figures. Dubai is the start-up capital of the Middle East and a preferred location for multinationals looking to set up headquarters in the region.

Underpinning its growth are high individual wealth levels and the robust credit profile of the United Arab Emirates, the second-wealthiest country in the MENA region in per-capita GDP. The UAE, with a gross debt to GDP ratio of 38%, has one of the highest credit ratings in MENA, currently Aa2 by Moody's.

Salik's main users are Dubai's daytime population and tourists.

Dubai has a large expat-dominated population. Its total population has grown historically at a rate of 6.4% CAGR, with the total day time population growing at a CAGR of 4.3% between 2015 and 2021. As the Emirate executes its 2040 urban master plan, which is essentially transforming Dubai into 5 interconnected centres, the population is expected to grow by c. 70% over the next 20 years. As approximately 90% of the population are expats, Dubai ranks as the third most preferred place globally where people are willing to relocate (after London and Amsterdam) based on a survey conducted by Boston Consulting Group in 2021.

The Government of Dubai has also recently undertaken multiple landmark reforms that are designed to create a quality of life that attracts international expats. Measures such as Golden Visa programs offering residencies to entrepreneurs, investors, scientists, physicians, artists, athletes, retirees and remote workers will drive population growth, and in some cases, convey Emirati citizenship. Bold social and economic reforms – such as permitting 100% foreign ownership of Emirati companies, highlight security and legal protections for individuals and institutions – further increase the long-term appeal of the Emirate to expats.

The UAE also became the first nation globally to adopt an official 4.5-day workweek and also changed its weekend to Saturday / Sunday to align with global markets. The country is committed to developing a high-quality, sustainable environment that attracts new residents and economic growth.

Dubai is not only about its large expat population; tourism also plays a big role in the economy of the city.

At 73%, Dubai's 2022 hotel occupancy rate, which surged after the city became the first globally to reopen after COVID lockdowns, ranked as the world's highest, surpassing New York, London or Paris. In 2022, Dubai became the world's No. 1 travel destination, according to TripAdvisor.

Dubai plans to host 400 global events a year which is expected to attract 25 million tourists annually by 2025, up 50% from 16.7 million in 2019. In the long run, Dubai intends to massively build out its tourism infrastructure. The 2040 Urban Master Plan calls for increasing the length of Dubai's public beaches by 400% and areas devoted to touristic activities by 134%.

Dubai's diverse attractions also contribute to the rise in Salik revenue. Attractions such as the Burj Khalifa, the world's tallest building, or the circular architectural marvel, the Museum of the Future, routinely draw visitors to Dubai. Since 2014, Dubai has operated one of the world's busiest international airports. Dubai's hosting of the 2020 Expo, which was delayed by COVID until 2021, eventually attracted more than 24 million visitors. By the time Expo opened, Dubai had built 138,000 hotel rooms, 19% more than in 2018.

Also, the UAE recently announced its National Tourism Strategy, which plans to attract investments in the tourism sector worth AED 100 billion and bring 40 million hotel guests to the region by 2031. All these initiatives are expected to positively impact Salik's revenue in the future

With one of the lowest toll fees among peers globally, one of the most affordable taxi fares globally, and a highly affordable car market with low maintenance costs that are ~14% lower than the global average, the use of private cars is highly attractive in Dubai.

The UAE also enjoys relatively low gasoline prices compared to other parts of the world.

Hence, Dubai has one of the world's highest vehicle penetration rates with 540 vehicles per 1,000 inhabitants. In a city where comfort of lifestyle is paramount, and ease of mobility is key, cars are the dominant mode of transportation and more than 60% of Dubai's commuters use private cars. Most commuters in Dubai prefer the convenience offered by private cars over walking long distances from their places to public transport stations, especially in extremely hot weather.

Also, Dubai commuters prefer to drive along toll roads because the journeys are typically shorter and more convenient, helping commuters save time, money and fuel. Based on several studies that were run, motorists, for example, experience an average 45% reduction in journey time when driving Salik roads from Dubai Media City to Downtown Dubai, a drive taken by many commuters and visitors.

Although Dubai also runs one of the world's most modern mass transit systems, the Metro and Tram lines have been designed by the Emirate to be complimentary, not competitive, with Salik, and as a result, have had minimal impact on the growth in Salik's net toll traffic.

Market Overview and Outlook

Outlook

Salik expects to fully return to peak pre-COVID traffic levels of 2019 in 2023. Dubai's strategic economic development policies continue to attract expats and international tourists, raising demand for Salik's services as the barrier-free, digital gateway to one of the fastest growing cities in the world.

By 2026, the real GDP of Dubai is forecasted to grow by 15% to AED 461 billion from AED 402 billion in 2022, as the Emirate's population rises 8.3% to 3.9 million from 3.6 million, according to government estimates. By 2026, Dubai's road network is projected to grow by 1.6% to 18,543 lane-km from 18,255 lane-km in 2022.

Whilst RTA and the Dubai Executive Council may decide to add new gates to the Salik system, change toll tariffs, or adopt new pricing models such as dynamic pricing, the following outlooks are based on a continuation of the existing status quo, with Salik operating an eight-gate system over the course of its 49-year Concession Agreement through 2071.

The following traffic forecast models developed by an independent consultant are based on a range of economic variables including GDP, population and gas prices. The period 2022-30 is forecast on a by-gate basis and factors in the potential for substitution of toll road traffic by public transportation (particularly Metro traffic). Forecasted net toll traffic was further adjusted for price elasticity based on various toll pricing scenarios. Data for 2031-71 is extrapolated and based on terminal non-gate-specific growth rates.

The first scenario assumes there will be no increase in the current AED 4 toll tariff over the life of the Concession Agreement.

Based on this assumption, the net annual toll traffic on Dubai's Salik road system, which measures paid tolls excluding exemptions for people of determination, empty taxis, exempt vehicles and other exceptions, is projected to rise 5.5% CAGR from 2022 to 2025, and by 2% from 2026 to 2071.

The second scenario assumes a 2% annual inflation adjustment to Salik tariffs starting in 2023.

Under this assumption, net toll traffic on the Salik system is projected to rise 5.1% CAGR from 2022 to 2025, and 1.6% CAGR from 2026 to 2071.

Dividend Policy

Salik's Capex-light structure and high cash margins give the Company financial flexibility to deliver resilient, stable returns to investors

Salik benefits from a favourable contractual framework, which underpins its strong cashflow conversion profile and margins as RTA will continue to be responsible for road development and maintenance. Hence, the extensive CAPEX required for infrastructure continues to be with RTA and remains outside Salik's perimeter. Also the long-dated concession term provides strong visibility of cash flows while the company's low asset base will result in a lean business model, maximising margins. As a result, Salik enjoys the advantage of being able to return almost all net profit to shareholders.

Salik intends to pay dividends twice each fiscal year, in April and October.

Salik expects to pay its first dividend to shareholders for the second half of 2022 by April 2023, and expects to pay 100% of net profit, after keeping aside the statutory reserve of approximately AED 37.5 million required by law.

From 2023 onwards, Salik expects to pay 100% of net profit available for distribution in dividends. This dividend policy is subject to the Board's consideration of the cash management requirements of Salik's business for operating expenses, interest expense and anticipated capital expenditures and investments.

In addition, Salik's Board will also consider market conditions, the then-current operating environment in Salik's markets and the Board's outlook for Salik's business and growth opportunities.

The Company's ability to pay dividends is dependent on a number of factors, including the availability of distributable reserves as well as its capital expenditure plans and other cash requirements in future periods. There is no assurance that the Company will pay dividends or, if a dividend is paid, what the amount of such dividend will be.

03

Financial Review

Salik

Financial Review

Driven by Dubai's rapid recovery from the COVID pandemic in 2022, Salik, the exclusive operator of the Emirate's technologically advanced barrier-free roadway toll system, ended the year on a strong note, as rising traffic levels drove a double-digit increase in revenue.

With traffic in Dubai broadly recovering to pre-pandemic levels in the fourth quarter of 2022, Salik's revenue, which includes toll usage fees, fines, penalties, tag activation fees and other revenue, rose 11.8% in 2022 to AED 1,892 million from AED 1,693 million in 2021.

The number of revenue-generating trips through Salik's eight-gate, digital toll collection network rose 12.6% in 2022 to 413 million from 367 million in 2021. The total number of trips, which includes non-revenue generating traffic exempt from Salik fees, rose 12.0% during 2022 to 539 million trips from 481 million the previous year.

The level of road traffic grew during 2022 as Dubai fully lifted the last COVID restrictions, and as the Emirate benefitted from positive growth resulting from the launch of EXPO 2020 in October 2021, as well as travel generated by the 2022 World Cup in Qatar.

After its successful Initial Public Offering in September 2022, Salik was listed on Dubai Financial Market (DFM) as a separate legal entity from Roads and Transport Authority through a 49-year concession agreement.

While comparisons of profitability between 2022 and 2021 may not accurately reflect the Company's performance on a like-for-like basis due to changes in operating structure and cost profile, Salik ended the year with momentum.

Earnings before interest, taxes, depreciation and amortisation costs (EBITDA) rose 3.8% during 2022 to AED 1.44 billion from AED 1.39 billion in 2021. Salik achieved an EBITDA of AED 640 million in the second half of 2022, covering the period since the start of its concession agreement with the RTA on 1 July 2022 until 31 December 2022, with a strong EBITDA margin of 67.5%, reflecting Salik's attractive concession framework with the RTA.

Net profit in 2022 reached AED 1.33 billion from AED 1.38 billion in 2021, as the Company paid AED 208 million in concession fees to the RTA on toll usage from 1 July 2022, and AED 73 million in finance costs to service an AED 4 billion credit facility agreement that was utilized to make an upfront concession payment to RTA. Salik generated a net profit of AED 529 million in the second half of 2022, since the start of the concession agreement until year-end, with a profit margin of 55.8%.

Salik's free cash flow rose 22.8% during 2022 to AED 1.5 billion from AED 1.2 billion in 2021. During the second half of the year, the free cash flow margin reached 72.6%, which is among the highest in the industry.

The Company ended 2022 with a healthy net debt balance of c. AED 3.2 billion, which is equivalent to an annualized H2 2022 EBITDA of 2.5x, considerably lower than the Company's debt covenant of 5.0x.

In line with Salik's strong set of results and its announced dividend policy, Salik's Board of Directors proposed to distribute c. AED 491.4 million to shareholders (6.5521 fils per share), reflecting 100% of the Company's net profit for the second half of 2022 less AED 37.5 million in one-time statutory reserves.

The proposed dividend was subject to approval at the Company's General Assembly Meeting in April 2023.

Supported by the strong trajectory in trips through Salik gates, and with traffic levels broadly recovering to pre-pandemic levels by the end of 2022, Salik expects the number of revenue-generating trips through its eight toll gates to fully recover to pre-pandemic levels in 2023.

Salik

For the year ended 31 December 2022

Total number of trips (2022) **539 Mn**	EBITDA Margin (H2 2022) **67.5%**
Number of revenue-generating trips (2022) **413 Mn**	Free cash flow margin (H2 2022) **72.6%**
Revenue (2022) **AED 1,892 Mn**	Net debt balance **c.AED 3.2 Bn**
EBITDA (H2 2022) **AED 640 Mn**	Net debt to H2 2022 EBITDA **2.5x**

04

Operational Review

Overview of Operations

Salik benefitted in 2022 from a sharp 12% increase in total trips as COVID-19 restrictions were lifted and Dubai's economy got back in gear

With the spread of COVID-19 vaccines and full lifting of travel restrictions in 2022, Salik's advanced technology toll network once again delivered a banner year of operational excellence as Dubai's economy rebounded and total trips through Salik gates approached record pre-COVID levels.

Total traffic rose by 12% during 2022 to 539 million trips from 481 million in 2021. Net toll traffic, which excludes traffic exempt from Salik fees, rose by 13.2% in 2022 to 419 million trips from 370 million in 2021. The level of net toll traffic in the fourth quarter of 2022 was broadly in line with the pre-COVID-19 record set in the fourth quarter of 2019.

A majority of Salik toll gateways are located on or close to Sheikh Zayed Road, the main road artery of Dubai that runs the length of the Emirate parallel to the Gulf coast. Salik gateways provide convenient access to Dubai's central residential and business districts, as well as Dubai International Airport, Jebel Ali Port and attractions such as the Burj Khalifa, Jumeirah Beach, and Burj Al Arab.

Net toll traffic throughout all eight Salik gates rose during 2022, led by its main gates in the central portion of Dubai city, located at Al Barsha, Al Safa and Al Garhoud, where percentage increases versus 2021 levels were 16%, 14% and 17% respectively.

Net toll traffic as a percentage of total traffic was 77.7% in 2022, versus 76.9% in 2021.

Historically, the percentage of Salik's net toll traffic has risen from 58.9% in 2010 as the Emirate's population and economy have grown. During 2020 and 2021, COVID-19 curfews and restrictions on movement reduced the volume of traffic through Salik gates. Net toll traffic fell 31% in 2020 to 305 million trips, and began to gradually recover in 2021 as restrictions eased, rising 21% to 370 million and increasing by 13% in 2022 to 419 million trips.

Traffic through Salik's toll gateways has risen more than 10-fold since Salik established the first gates at Al Barsha and Al Garhoud in 2007, and subsequently added Al Safa and Al Maktoum in 2008, Airport Tunnel, Al Mamzar North and Al Mamzar South in 2013, and Jebel Ali Gate in 2018.

During this period, the level of net toll traffic, which does not include discounted or free trips for people of determination, school buses, empty taxis, official vehicles, security, police and military personnel and other exceptions, increased from 42 million trips in 2007 to 441 million trips in 2019 pre-COVID-19.

Overview of Operations

Salik's barrier-free toll system technology lets drivers move unimpeded through the Emirate as Radio Frequency Identification (RFID) readers and Automatic Number Plate Recognition (ANPR) cameras instantly record Salik tags attached to vehicle windshields or capture the vehicle plate reads. Payment is cash-free with toll amounts (currently AED 4) automatically deducted from a motorist's prepaid Salik account.

During 2022, Salik's advanced technology platform contributed to achieving the monetisation of growth in Dubai's traffic, with RFID and ANPR camera systems capturing more than 99.5% of vehicles passing through Salik's eight automatic toll gates. It is worth noting that Salik achieved 99.99% and 99.91% average uptime within its toll gate roadside system and back office (data centre) system respectively.

Salik owns the intellectual rights to the custom-built, best-in-class digital operating system, which is maintained by technology partner TransCore under a contract that runs into 2026.

In tandem with Salik's IPO and the listing of 24.9% of its shares on Dubai Financial Market, Salik during 2022 introduced a new logo across its digital platforms and toll gateways. The new logo is slick grey and pebble grey, differentiating Salik from the former red-themed logo modeled on shareholder RTA.

Salik has reaffirmed its commitment to its sustainability agenda, which began to take shape in 2018 when the Company installed a solar power generating unit atop its toll gate at Jebel Ali. The technology currently supplies about 15% of the gate's electricity needs. Salik intends to expand the programme and equip all eight gates with solar capacity in coming years.

Business Model

With a 49-year exclusive Concession Agreement, a strong shareholder in the Government of Dubai and financial flexibility, Salik is set up to capture Dubai's long-term growth

Salik's business model is underpinned by its exclusive, 49-year Concession Agreement with the RTA, and its discretionary ability to enhance rising toll revenues by developing new sources of business through advertising, data monetisation and consulting.

Salik Company PJSC was established by a Royal Decree in June 2022 as part of a broader plan to boost the size and attractiveness of Dubai Financial Market. Following Salik's IPO in September 2022, the Dubai government through the Department of Finance holds a 75.1% stake.

Under the Concession Agreement, RTA retains sole responsibility for the costs of maintaining and expanding Dubai's roadway network, as well as Salik toll gate physical assets, including the eight toll gates, overhead gantries, RFID readers, ANPR cameras and other equipment.

Salik has the right to use the toll gate infrastructure and collect tolls, which are currently AED 4 per trip through a Salik gate, throughout the life of the Concession Agreement to 30 June 2071.

Salik's exclusive right to collect toll revenue extends to any toll gates that may be added during the concession. In addition, Salik has the right to develop other sources of revenue, such as, but not limited to, advertising, consulting and data monetisation.

In return, Salik pays RTA 25% of toll revenue each year in the form of an annual concession fee. Salik can annually submit a proposal to the RTA for increasing the toll fee to adjust for inflation in Dubai. RTA in turn will review the proposal and make recommendations to The Executive Council.

The Executive Council is the final decision maker which approves or denies the requested change in tariff. In the event of the increase being denied, the RTA will compensate Salik via a reduction in the concession fee percentage. Any adjustment of the concession fee is capped to not exceed 25% of toll revenue and to not fall below 15%.

The core of Salik's business is a custom-built technology that has underpinned the seamless and efficient management of Dubai's traffic since RTA established the first of eight automatic toll gates in 2007. The best-in-class IT system, which optimises the toll collection process and ensures a high level of quality and accuracy, is operated under contract by TransCore, RTA's technology partner since 2006.

Salik holds a perpetual license to the scripts of all TransCore Toll System core modules, and TransCore acts as a technology partner of Salik under contract to Salik through 2026. A number of redundant systems ensure the continuous operation of the Salik collection system, which uses RFID and OCR technologies to read Salik windshield tags and licence plates to book tolls from motorists' prepaid Salik accounts, enabling a barrier-free driving experience.

Salik's digital technology system is fully integrated with third parties such as banks, mPay (Dubai Now) and MBME kiosks for payment, RTA Dubai Drive and the RTA E-Traffic System for payment of violations. The system has extremely low leakage, capturing more

Business Model

than 99.5% of all traffic passing through gates, and the average uptimes at tollgate roadside systems and to back-office data centers is greater than 99.97%.

Salik operates eight automatic toll gates at strategic locations in Dubai. The gates are located at Al Barsha, Al Garhoud, Al Maktoum, Al Safa, Airport Tunnel, Al Mamzar North, Al Mamzar South and Jebel Ali. In 2022, about 1.48 million vehicles passed through Salik toll gates each day. In 2022, the revenue from toll usage fees amounted to AED 1,652 million with an increase of 12.6% compared to AED 1,467 million in 2021.

Salik offers customers a seamless driving experience using RFID technology. The free-flow system with RFID readers, laser scanners and cameras mounted in above-ground gantries operates at highway speeds with no gates, physical toll collectors, toll booths or other impediments to traffic flow.

The system permits quick and efficient vehicle movement through highway tolling points.

Drivers that pass through Salik gates must have an active Salik Tag on the front of their vehicles, which includes a passive RFID tag that identifies the vehicle and the motorist's prepaid Salik account as well as the vehicle owner and vehicle information associated with the account. Tags can be purchased online or at gas stations and are mounted on vehicle windshields. The price of a Salik Tag is currently AED 100, which includes AED 50 of credit deposited in the customer's Salik account.

Customers can activate Salik Tags over the Smart Salik App, the Salik website, the Dubai Now App, RTA Dubai Drive App and by phone through an automated system by calling 800-Salik.

Several categories of vehicles are currently exempt from paying Salik tolls: people of determination and schools and organisations that serve them; charitable organisations; RTA buses and public transport vehicles; schools and religious institutions; police, state security, national defence, civil defence and armed forces; and ambulances. Exempted vehicles made approximately 7.7 million trips through Salik gates in 2022, an 8.4% increase from 7.1 million in 2021.

Drivers can recharge their Salik accounts online via recharge cards, e-vouchers, banks, credit cards and cash deposit machines throughout Dubai.

Each time a vehicle passes through a Salik gate, the RFID technology detects the vehicle and scans its Salik Tag. The toll fee is automatically deducted from the corresponding prepaid Salik account. If a vehicle does not possess a valid Salik Tag, a camera in the toll gate captures the licence plate and fines the driver if they do not register a Salik account within a 10 working-day grace period.

In the 2022 carve-out from RTA, Salik signed a Transitional Service Agreement to obtain support from RTA for certain corporate functions for a period after the IPO, until Salik builds in-house expertise.

For 12 to 36 months after the IPO, RTA has agreed to provide Salik with a number of shared services, including facilities and administration, and marketing.

As of January 2023, Salik carries out the following functions fully independently: Finance, Payroll, Contracting and Procurement.

At the time of the IPO, all the core and corporate functions were already being performed independently at Salik such as Toll Engineering, Toll Operations, Legal, Strategy, Enterprise Risk Management, Investor Relations, Internal Audit and Compliance.

Salik can remain on RTA premises for up to 24 months following the IPO and operate within the existing data centre provided by RTA. Salik's current headquarters is located at RTA headquarters, including the majority of the team at TransCore, the technical solutions and engineering company that developed the Salik system with RTA and which has been responsible for its operation and maintenance since 2006.

TransCore is the technology partner responsible for the key functions of the Salik system, including development, testing, training, implementation, operations and maintenance of the toll system. TransCore is also responsible for training and development of Salik's customer service centre and five walk-in counters in Dubai. About 250 to 300 TransCore employees work exclusively for Salik.

The contract with TransCore was recently renewed and will run until September 2026.

As of the end of 2022, Salik had 30 full-time employees. Salik is currently building its team and has made several key additions following the IPO. By the end of 2023, Salik intends to raise its total headcount to 53-56, and by the end of 2024, to 58-60 full-time employees.

How it works

Step 01
Vehicle approaches the toll gate

Step 02
Sensor detects the activated tag

Step 03
Deducts fee from the machine readable sticker on the car windscreen

For more information, visit
www.salik.ae/about/howitworks

Concession Agreement

Salik draws its business model from the 49-year long exclusive Concession Agreement with RTA

Salik's 49-year Concession Agreement (up to 30 June 2071) with the RTA provides a transparent, shareholder-friendly framework that encourages both parties to offer a world-class, barrier-free urban road toll network that meets the needs of Dubai's growing economy.

The Concession Agreement governs the relationship between Salik, the RTA and the Dubai Executive Council. The Agreement defines the business model for Salik, whereby RTA takes the role of the regulator, while the Dubai Executive Council is the ultimate decision maker for tariffs and all major events. The Concession Agreement covers all key terms, such as the term of the concession, tariff determination, the concession fee and the mechanism of adding new gates.

The Concession Agreement also defines the obligations and rights of both parties and sets up operational and financial standards for the concession to operate under. In order to ensure that both parties adequately attend to their obligations, the Concession Agreement also defines the operating KPIs to be met by Salik and RTA.

For instance, Salik has to ensure 99% availability ratio guidance for all equipment and mandatory quarterly reports on compliance to this service level. RTA has to guarantee the availability of the infrastructure as well as a pavement condition index, the handling of emergency calls and HSE incidents within specified time limits, in addition to the collection of fines and penalties.

Through its legal design and mutual incentives, the Agreement guarantees Salik's asset-light business model by giving RTA sole financial responsibility for maintaining and expanding Dubai's road toll network. In addition, the Agreement gives Salik clearly defined compensation mechanisms providing significant downside protection against inflation and unforeseen costs.

The Concession Agreement allows Salik to recommend tariff increases on an annual basis using a pre-determined formula that is linked to inflation. Under the Agreement, Salik submits a tariff review to RTA, who studies and takes it to the TEC for an ultimate decision.

Should TEC reject Salik's recommended increase, RTA is to compensate Salik by reducing the amount of its annual concession payment to adjust the effects of inflation.

If TEC approves a tariff increase above the theoretical maximum, Salik's annual concession payment will be raised accordingly in line with inflation. Any adjustment of the concession fee is capped to not exceed 25% of toll revenue and to not fall below 15%.

The Concession Agreement also lays out the framework around any potential additions to the toll gates network. Once approved, Salik has the right to acquire the tolling rights in return for an upfront payment as well as an ongoing concession fee. The mechanism for determining the upfront fee and resolving any differences of opinion between RTA and Salik on the upfront fee has been detailed in the Concession Agreement.

New gate addition mechanism

Additional toll gates may be considered by RTA as potential alternative solutions to effectively manage traffic congestion. Any new potential Salik gates will be subject to review as part of the update of the Strategic Transportation Plan.

The steps of the approval process are as follows: RTA will conduct detailed studies clarifying traffic impacts. RTA will raise reports to the RTA Board and discuss these with the RTA Board. If the RTA Board approves the requests for additional gates, RTA will raise the proposals to the Dubai Executive Council (TEC) for its ultimate approval.

For Salik, acquiring tolling rights to a new gate will require an ongoing concession fee. The upfront payment will be based on independent valuation of expected tolling income based on a weighted average cost of capital (WACC) + incentive premium of 2%. The WACC will be determined by an independent financial advisor.

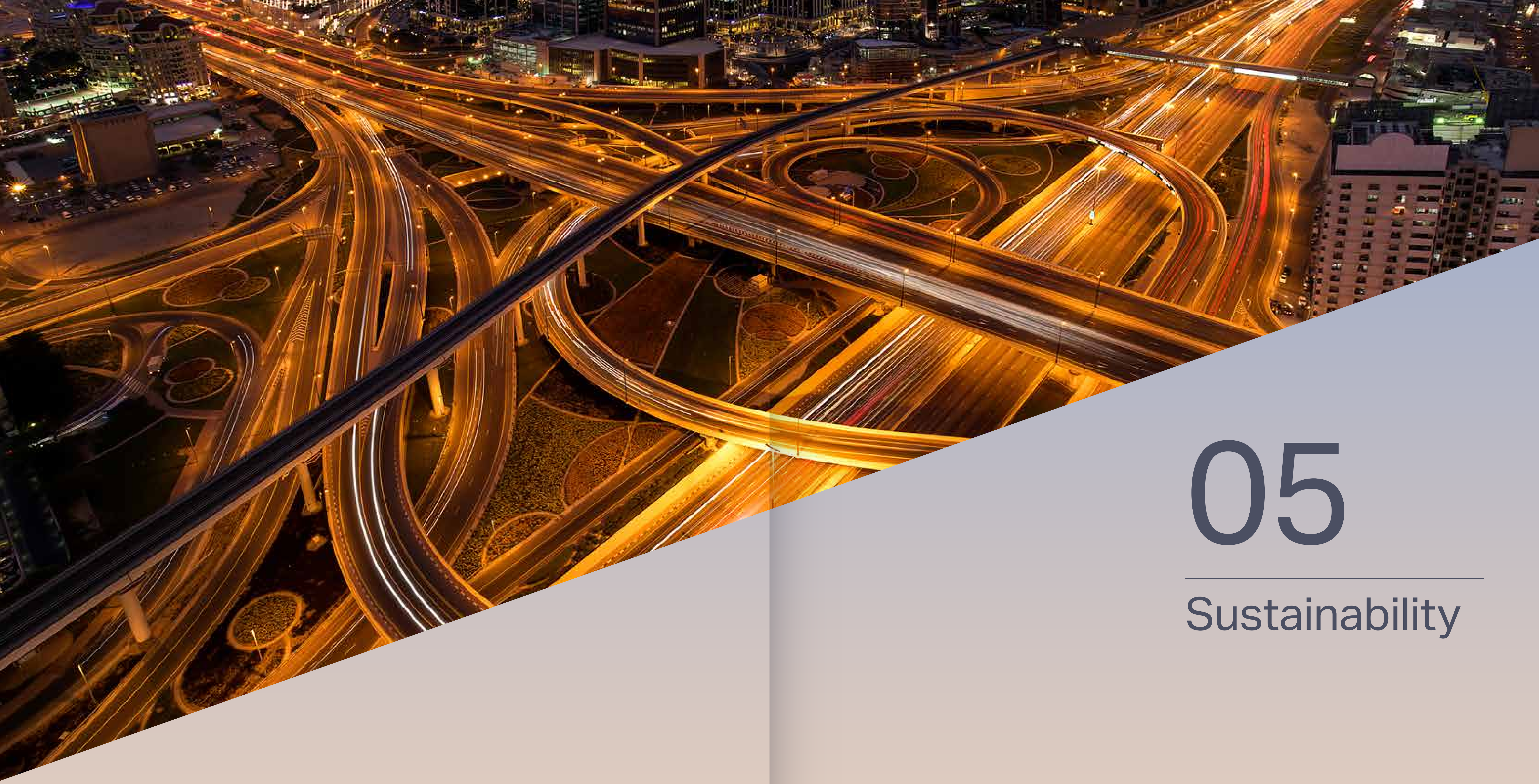
The valuation of a new gate which determines the upfront payments is performed by financial and commercial advisors appointed by RTA, Salik and an independent expert.

In cases of a discrepancy of >5% in Salik's and RTA's estimated valuation, Salik's upfront payment will be based on the lowest NPV, plus a potential earn-out in addition to possible additional payments according to the mechanism.

To bridge any potential gap in EBITDA, Salik will pay earn-out obligations for a 'ramp-up period'.

The earn-out is based on the difference in annual cash flows between traffic projections and actual traffic volumes accounting for the time value of money.

Depending on the actual traffic in the first payment interval (years 1-3) and in the second payment interval (years 4-5), if the traffic is at or below lowest NPV traffic projections, no additional payments will be required. If the traffic is above the lowest NPV traffic projections, the earn-out is paid pro-rata. After the first five years, there is no earn-out irrespective of the actual traffic levels.



05

Sustainability

Sustainability

Sustainability lies at the heart of Salik's mission to help Dubai grow at the speed of its ambitions. Whether it's minimising traffic, fuel consumption and emissions, providing freedom of movement to society's least fortunate or adhering to top governance standards, Salik is committed to developing strong ESG policies.

Governance Overview

Salik was incorporated in June 2022 and listed on Dubai Financial Market in September 2022. The company is in the process of developing its ESG framework and priorities.

With an independent Board, institutional controls and clearly defined policies, Salik's robust corporate governance is based on the principles of transparency and disclosure.

Effective governance is key to the success of Salik and its business strategy. Salik operates under a robust governance framework, with transparent reporting and adequate institutional controls in place to ensure all related party arrangements are undertaken on an arm's length basis.

Salik is listed on Dubai Financial Market, regulated by the UAE Securities and Commodities Authority (SCA), and is subject to all SCA laws and corporate governance codes. These set out standards of supervision expected from Salik directors and officers. Salik has also procured a directors and officers liability insurance policy to cover the directors and officers of the Company in certain circumstances.

The Salik Board of Directors is committed to maintaining appropriate standards of corporate governance that are in line with international best practices.

The Board also includes independent Board Audit and Remuneration committees and has adopted certain rules on Board composition requiring at least one Board member to be a woman.

The charter of Salik's Board of Directors describes the overall corporate governance framework for the Company, coordinates and aligns supporting policy documents and establishes the rules that enable the Board and officers to deliver on their responsibilities under applicable laws and regulations. The four underlying principles of Salik's corporate governance framework under its charter are accountability, responsibility, transparency and disclosure, and fair treatment.

Salik is committed to transparency and routinely discloses summaries of key agreements that govern its operations, such as its Concession Agreement with RTA. The agreement is transparent, with clear, pre-determined mechanisms to increase toll tariffs.

At the conclusion of each financial year, Salik plans to publish a Governance Report summarising its efforts and submit the report to the SCA and DFM.

In line with its commitment to delivering international standards in corporate governance, Salik also has in place a robust set of company measures and policies to guard against corporate malfeasance.

For example, Salik has in place an official policy against bribery and corruption, which is supervised at Board level and extends to Salik's suppliers.

Salik's Fraud Policy provides guidance for managing fraud risk across the Company.

Salik's Whistleblowing and Non-Retaliation Policy sets up safe channels to detect and report unethical, corrupt and illegal conduct.

The Stakeholder Engagement Policy sets out structured methods of engagement to routinely include stakeholder concerns and opinions in company decision making.

The Insider Trading Policy sets out guidelines for those with access to insider information, including Board Members, employees and independent contractors. The policy strictly prohibits trading of Salik securities based on non-public information and requires Salik to regularly submit to SCA and DFM an updated register of insiders who have access to sensitive company information.

Salik's Conflict of Interest Policy sets out responsibilities for managing conflicts of interest, as well as procedures for the Company to regularly monitor for conflicts of interest.

The Salik Anti-Money Laundering Policy aims to detect and report suspicious activity including illegal transactions that often precede money laundering such as securities fraud and market manipulation.

In general, Salik is committed to creating a healthy speak–up corporate culture that encourages all stakeholders to report perceived corruption or improper business practices within Salik or involving third parties who do business with the Company.

Social Overview

As the urban architect of Dubai's inclusive, multicultural future, Salik's human-centric approach to business serves customers, employees and the community

Salik's commitment to advancing the progressive social policy agenda of Dubai and the UAE is reflected in the depth and breadth of its forward-looking, human-centric approach to serving customers, society's vulnerable, as well as its own employees.

As an infrastructure architect of Dubai's future, Salik is dedicated to fostering the emergence of one of the largest, most culturally diverse urban populations in the Gulf region, a magnet for diversity and inclusiveness supported by the friction-free movement of people from all over the world.

Salik's embrace of this societal role is anchored in its ESG Policy, which spells out its strong commitment to creating a sustainable society and actively managing its operations in a manner that balances its social, environmental and economic impacts.

The Company's support for its ESG agenda is more than rhetorical.

In customer service, Salik is a recognised leader in Dubai and the Middle East. As an employer, Salik has one of the most loyal workforces in the region. As a provider of barrier-free movement, Salik opens doors for people of determination, school children, charities and public transport organisations.

Since its creation within RTA in 2007, Salik has won 22 national and regional awards for its customer service excellence. In November 2022, Salik won three prestigious Call Centre/CX Awards from INSIGHTS Middle East for Best Outsourced Help Desk of the Year, Best Outsourced Call Centre of the Year and for being a top-three entry for the Problem Solver Award.
Salik has a 92% customer satisfaction rate, and the Company is committed to maintaining its reputation as a forward-thinking leader noted for a human-centric approach to business.

This philosophy extends to Salik's treatment of employees. The Company believes that developing human capital is the foundation for sustainable growth and prosperity. Salik is focused on promoting equality and inclusivity through training and development programmes. The Company has hiring practices in place to help promote equality and inclusivity as it builds out its workforce.

In its first year as an independent entity, Salik continued to invest in its human capital and promote diversity and inclusion. From 1 July 2022, the start of its concession agreement with the RTA, to 31 December 2022, Salik's full-time workforce grew from 12 to 30 employees and the number of represented nationalities rose from six to eight. Additionally, Salik continued to prioritize gender diversity, with a female to total workforce ratio of 33% as of 31 December 2022. Salik also made significant progress in terms of Emiratization, ending the year with an Emiratization level of 47%. The Salik tolling business has traditionally enjoyed a high employee retention rate, and many Salik employees have been with Salik for more than 10 years.

Each year, in line with its mandate to maintain the barrier-free movement of a diverse, inclusive growing society, Salik frees thousands of people and many organisations from toll payments, including people of determination, charities, schools and religious and public transport providers.

During the year, there were approximately 7.7 million free-of-charge trips through Salik's eight toll gates, at a rate of approximately 21,000 trips per day, an increase of 8.4% compared to the previous year.

Environmental Overview

With solar power and a digital, paperless business that cuts traffic congestion and emissions, Salik's sustainable operation aligns with Dubai's ESG goals

Salik is a forward-thinking organisation with a sustainability agenda aligned with Dubai's ESG goals. The Company actively manages its operations in a manner that balances its social, environmental and economic impacts.

The very nature of Salik's core mission – to enable the efficient, barrier-free movement of motorists along Salik roadways in the Emirate of Dubai – provides a significant service to the local environment by reducing traffic congestion, CO2 and other vehicle emissions, and bettering air quality.

As a smart mobility provider, Salik is also a key player in Dubai's comprehensive plan to develop a sustainable, urban metropolis with 7.8 million daytime residents by 2040.

The future of the Salik toll roadway system is integrated within Dubai's 2040 Urban Master Plan, which channels Dubai's growth into five urban centres linked by a highly efficient Salilk roadway network.

Salik's eight automatic gates, and any others added to the system over the course of Salik's concession into 2071, are designed to reduce traffic congestion and save fuel and emissions.

As a main architect of Dubai's sustainable future, Salik is fully committed to reducing its carbon footprint, in line with supporting Dubai's goal of achieving net zero emissions by 2050.

Salik also supports Dubai's Green Mobility Strategy 2030 to encourage the use of electric vehicles and reduce carbon emissions. Salik offers free Salik Tags to operators of electric vehicles. The number of registered vehicles with these tags more than doubled, reaching 2,418 vehicles as of 31 December 2022, compared to 1,105 the previous year.

In 2018, Salik began the process of converting its automatic toll gates to run on solar power.

Environmental Overview

The first solar energy technology was installed at Jebel Ali Gate, where it currently supplies about 15% of total electricity needs. Salik plans to intall solar power across its remaining gates, subject to technical studies, in order to maximise the use of renewable energy in its business.

As a best-in-class technology services provider, Salik is a central part of Dubai's own digital transformation and adopted early on a paperless business strategy that allows Salik customers to perform all transactions through the Smart Salik App and Salik website.

By offering paperless alternatives to buy Salik Tags, activate and recharge Salik prepaid accounts, and pay tolls and fines, Salik estimates it saves 4.9 million tons of CO2 each year. Salik estimates that 99% of its customers have adopted digital self-services rather than visit a Salik service centre. Each transaction made through a Salik self-service channel saves an estimated 12 kilograms of CO2 emissions.

When it was carved out of RTA in 2022 as a public joint stock company prior to its Initial Public Offering, Salik was endowed with a robust corporate structure and set of procedures that underscore its commitment to sustainability and ESG.

As part of that mandate, Salik has a strict ESG screening requirement for all vendors.

At the Board level, Salik has set up a Nomination, Remuneration and ESG Committee that, amongst other duties, assists the Board in helping Salik fulfil its responsibilities in respect to ESG and sustainability matters and developing and managing initiatives and policies based on Salik's sustainability strategy.

Salik will prepare an annual sustainability report that reflects its long-term strategy.

In its annual sustainability reporting, Salik will strive to comply with international best practice in terms of reporting standards, and will publicise and submit its annual sustainablity report each year to the UAE Securities and Commodities Authority (SCA).

06

Corporate Governance

Governance Overview

Salik is overseen by a panel of senior government officials, distinguished engineers and planners, whose work has shaped the face of Dubai and its world-renowned urban mobility backbone. On a day-to-day basis, Salik is run by a team of Executive Managers who are innovators and leaders in their fields. Guiding it all is an integrated approach to managing risk, business continuity and crises that keeps Salik – and Dubai – moving non-stop 24/7.

"Effective corporate governance is fundamental to Salik's ability to operate successfully in a business environment".

His Excellency Mattar Al Tayer (Chairman)

Board of Directors

Salik is overseen by an independent panel of industry veterans who have helped shape the face of modern-day Dubai

Salik's Board of Directors is committed to high corporate governance standards, which it believes are critical to business integrity and investor trust. All of Salik's directors and employees are expected to act with honesty, integrity and fairness. Salik will strive to comply with all applicable laws, to follow proper business practices and procedures, and to operate with integrity.

Salik is governed by a seven-member Board of Directors that is committed to maintaining corporate governance standards in line with international best practices.

The current Board has more than 150 years of combined experience in planning and managing Dubai's mobility needs and includes engineering leaders whose work has helped define urban footprint.

The Board is comprised of six independent Non-Executive Directors and one Executive Director, who are each appointed to three-year terms and meet at least every three months. The Chairman facilitates Non-executive directors' contributions and the relationship between them and the Executive directors. Non-executive directors contribute significantly by constructively challenging and contributing to the development of strategy. Management performance is monitored, as is the integrity of financial data and the effectiveness of financial controls and risk management systems. Non-executive directors are in charge of determining appropriate levels of remuneration for Executive directors and play a key role in the appointment of new directors. The terms and conditions of Non-executive director appointments are available for review.

The Board provides Salik with strategic leadership and determines the Company's fundamental management policies, as well as oversees the performance of Salik's business and its CEO.

The Board is the principal decision-making body for all matters of a significant nature to Salik, whether they be strategic, financial or reputational.

The Salik Board operates two permanent committees – the Audit Committee, which provides its opinion on financial reports and external and internal audits and controls, and the Nomination, Remuneration and ESG Committee, which advises on the nomination and remuneration of Board members and top management, as well as Salik's ESG and sustainability strategies and policies.

The Board has approved a governance framework that maps out the internal approvals processes and those matters that may be delegated in order to promote effective governance across all of its operations.

Board of Directors

Members of the Board of Directors

His Excellency Mattar Al Tayer

Chairman

His Excellency Mattar Al Tayer is a principal architect of modern-day Dubai's mobility infrastructure. In addition to his role as Salik Board Chairman, he is Director General and Chairman of the Board of RTA and Commissioner General for Infrastructure, Urban Planning and Well Being. Mr. Al Tayer has led RTA since 2005. Over his more than 40+ year career, he has helped shape the face of modern-day Dubai, overseeing the development of key pieces of the Salik roadway network, Dubai's mass transit Metro system, regional road arteries, the Dubai Water Canal, the Jumeirah Corniche, the Etihad Museum and Dubai's Expo 2020 infrastructure package. At RTA, he has overseen projects worth more than AED 140 billion, for which RTA has won more than 270 awards. He has also overseen development of the Dubai 2040 Urban Master Plan, which sets out the Emirate's long-term strategy. He holds a bachelor's degree in Civil Engineering from the University of Wisconsin, USA.

Abdul Muhsen Ibrahim Kalbat

Vice-Chairman

Mr. Abdul Muhsen Ibrahim Kalbat has been a member of RTA's Board of Directors since its inception in 2005. As a co-founder of RTA, he has helped shape its organisational structure, its perpetual-improvement culture, and its robust governance, operational and cross-functional frameworks. From 2005 through 2015 as CEO of RTA's Strategy and Corporate Governance Sector, he led RTA's transformation into a fully integrated provider of transportation solutions ranging from roadway to rail to public transport. He was awarded a Medal of Honour in 2011 by His Highness Sheikh Mohammed Bin Rashid Al Maktoum. Since 2015, he has been CEO of the Rail Agency. He received his Bachelor of Arts in Computer Science from the University of the United Arab Emirates, Al Ain, and is a graduate of the Mohammed Bin Rashid Executive Leadership Development Program.

Eng. Maitha Bin Adai

Director

Eng. Maitha Bin Adai has been CEO of RTA's Traffic and Roads Agency since 2005. She has supervised projects including Dubai's floating bridge and Dubai Water Canal. Selected as a Top 10 Influential Woman Leader by Forbes in 2018, Ms. Bin Adai has received the Sheikh Rashid Award for Scientific Excellence, the MBR Medal, the Prince Michael International Road Safety Award and the Golden Excellence Shield from the Ambassador of Arab Cooperation for the Arab Council for Social Responsibility in Jordan. She holds a Master's Degree in Transportation Engineering from the University of Newcastle, and a Bachelor's Degree in Civil Engineering from the University of Kuwait.

Board of Directors

Members of the Board of Directors

Mohammed Al-Mudharreb

Director

Mohammed Al-Mudharreb is a digital transformation leader in mobility in Dubai and CEO of RTA's Corporate Technology Support Services. He is responsible for leveraging cutting-edge technologies to create pioneering, digitally enabled experiences for drivers, commuters and road users. He built his leadership portfolio serving as Director of Rail Operations at RTA. Mr. Al-Mudharreb was also responsible for delivery and operation of the Automated Fare Collection System for all transport modes in Dubai as well as development of other commercial revenue streams. He is a member of many city-wide committees and taskforces overseeing Dubai's digital transformation.

Ibrahim Al Haddad

Chief Executive Officer & Board Member

Ibrahim Al Haddad is a highly experienced professional with 17+ years of delivering impactful projects. Since he joined RTA in 2013, he has focused on business transformation and public-private partnerships and spearheaded marquee projects such as RTA's Hala Joint Venture Agreement with Careem, the commercial transformation of Dubai Taxi, the Hypermedia concession agreement, and the RTA Invest Portal. Under his leadership, RTA won the CFI award for 'Most Innovative Logistics Project Investment Team – GCC 2019' and became the first regional entity to obtain ISO 10014:2006 certification demonstrating RTA's commercial and investment practices are in line with global leading practices. Mr. Al Haddad holds a master's degree in Real Estate Management from the University of South Wales – Sydney, plus a Bachelor's Degree in Architectural Engineering from UAE University.

Mohammed Abdulla Lengawi

Director

Mohammed Abdulla Lengawi is experienced in safety, security and crisis management, and airport operations with a strong business acumen. He has hands-on experience in planning, organising, coordinating, directing and controlling airport crisis functions and all matters related to aviation. Since 2016, Mr. Lengawi has been Executive Director of Aviation Security & Accident Investigation, where he is responsible for aviation security, risk minimisation, policymaking and many other functions. He has a proven track record of effectively managing a variety of departments and functions.

Mohammed Abdulrahman Alhawi

Director

Mohammed Alhawi is Director of Economic Development of the (Dubai) Executive Council, where he leads Dubai economic policy and strategy development. He is Chairman of the Economic Team and reports to the Executive Council with the mandate of enhancing Dubai's economic and competitive position. He was previously Vice President in the Technology, Manufacturing & Mining Platform at Mubadala, where he led an international investment consortia of multi-billion-dollar infrastructure projects. He has also developed research and development strategy for the world's 5th largest aluminium company and held positions at the Prime Minister's Office and The Executive Office. Mr. Alhawi received a Master of Science in Computer Science from University College London, in addition to a Bachelor of Science in Mathematics from Imperial College London.

Board of Directors

Board Committees

Audit Committee

- **Chairman - Abdul Muhsen Ibrahim Kalbat**
- **Members - Mohammed Abdulrahman Alhawi and Mohammed Abdulla Lengawi**

The Audit Committee meets at least four times a year. It is responsible for reviewing and monitoring the integrity of the Company's financial statements, financial and accounting policies, and non-audit work by external auditors. It oversees the relationship with the Company's external auditors, advises on appointment of external auditors, and reviews the effectiveness of the external audit process and the Company's internal control review function.

Nomination, Remuneration and ESG Committee

- **Chairman - Mohammad Al Mudharreb**
- **Members - Mohammed Alhawi and Mohammed Abdulla Lengawi**

The Nomination, Remuneration and ESG Committee oversees the appointment and remuneration of members of the Board and senior management, as well as the Company's ESG and sustainability strategy and policies. It is responsible for evaluating the hiring of Salik's senior management and monitoring the independent status of independent Directors. The committee also makes recommendations to the Board on executive remuneration, as well as develops the Company's sustainability strategy and sets appropriate initiatives and policies.

Executive Management

Salik is managed by a highly skilled and experienced executive team who share a common vision for the company's success

Ibrahim Al Haddad
Chief Executive Officer and Board Member

Ibrahim Al Haddad is a highly experienced professional with 17+ years of delivering impactful projects. Since he joined RTA in 2013, he has focused on commercial transformation and public-private partnerships and spearheaded marquee projects such as RTA's Hala Joint Venture Agreement with Careem, the commercial transformation of Dubai Taxi, the Hypermedia concession agreement and the RTA Invest Portal. Under his leadership, RTA won the CFI award for 'Most Innovative Logistics Project Investment Team – GCC 2019' and became the first regional entity to obtain ISO 10014:2006 certification demonstrating that RTA's commercial and investment practices meet global leading practices. Mr. Al Haddad holds a master's degree in Real Estate Management from the University of South Wales – Sydney, plus a Bachelor's Degree in Architectural Engineering from UAE University.

Maged Ibrahim
Chief Financial Officer

Maged Ibrahim has 32 years of experience in finance and auditing for Big4 audit firms and government entities. He joined RTA in 2010. Experienced, analytical and solution-driven, he has worked the spectrum of financial operations in fundraising, cost reduction, revenue maximation and megaproject financing. His expertise in financial management includes financial sustainability, consolidated financials, planning, budgeting, treasury operations and accounting policies and procedures. He has overseen mega projects from concept to final settlement to financing facilities agreements through export credit agencies with local and international participation. He has a certified accounting degree (CPA) from Illinois University, and a Master's Degree in Business Administration from Canadian University. He is a Certified Fraud Examiner (CFE), Certified Internal Controls Accountant (CICA), and is IFRS Certified (CertIFR).

Tariq Ismail Mohammed
Chief Technology Officer

Tariq Ismail Mohammed joined Salik as Chief Technology Officer in October 2022. He is an experienced manager, with nearly 17 years of experience, and joined Salik from Injazat Data Systems, where he was the Hassantuk Program Director. Before that, he spent nearly a decade at RTA as a deputy director and transportation systems manager and, later, as a senior manager in its Enterprise Command and Control Centre. He holds a bachelor's degree in Information Technology from American University in Dubai and a Master of Business Administration (MBA) from Bayes Business School – City, University of London.

Enterprise Risk Management

Resilient by design, Salik's enterprise risk management served as the central engine for keeping its toll operation, and Dubai, running smoothly during 2022

As the biggest urban hub for tourism and business on the Gulf, Dubai is a city that rarely sleeps. Tourists and business executives, as well as the Emirate's approximately 4.4 million daytime residents, rely on Dubai to be open and accessible 24 hours a day, 365 days a year.

Salik, meaning "open" or "clear" in Arabic, as Dubai's exclusive toll operator is aware of and committed to its obligation to provide seamless, barrier-free uninterrupted motion through its eight automatic toll gates running through the heart of the Emirate, where 1.5 million vehicles passed each day in 2022.

To minimize disruptions in its services and operations, Salik has adopted industry best practices in Enterprise Risk Management (ERM), which serves as a central engine for all risk management activities across the organisation, including, Business Continuity Management (BCM) as well as Emergency and Crisis Management.

As an operator of a best-in-class technology-driven business, Salik understands the need to embed and ensure resilience in its technology and operations and build a culture that keeps Salik and Dubai open for business all year long.

Salik's integrated approach to enterprise risk management, business continuity management and crisis management underpins its ability not only to respond to operational disruptions, but deliver on its long-term objectives. Business context-driven risk appetite statements approved by the Board of Directors under Salik's ERM Policy set the limits on acceptable risks for all business units to follow while their business objectives. These support risk-based decision making at all levels.

Salik's ERM Policy drives common language and protocols for identifying, documenting and communicating risks for top-down strategic and bottom-up operational risks. The risk information along with their mitigation plans from across all levels of the organization are monitored by the management level committee established at Salik. This ensures that a cross-functional management team is always on top of all risk management activities, including vendor and 3rd party relationships, driving Salik's readiness and resilience to disruptions. Top risks aggregated through the bottom-up approach are presented to the Board of Directors for their attention and direction.

Salik's best-in-class roadside tolling technology is designed to deliver continuity and resilience. It was built on high-availability and high-redundancy designs that produce 99%+ uptimes across all toll gates. Disaster recovery plans support the fundamentally robust technical framework, which in 2022 continued to support seamless notification, monitoring, communication, resolution of incidents and resumption of services.

Salik's business continuity management system, based on a BCM Policy approved by the Board of Directors, ensures that business impact analyses are done regularly, and business continuity plans are prepared and tested to ensure resilient operations.

Salik's ERM seamlessly aligns with the "three lines of defence" model adopted by Salik for its Governance. The Board of Directors provides executive decisions on the key risks faced by Salik, while its Audit Committee, which has visibility and oversight over the integrated ERM model, provides assurance on the Governance practices adopted by Salik.

Corporate Governance Report

1. Procedures taken to complete the corporate governance system during 2022, and method of implementing thereof.

The Board of Directors (the 'BOD') adopted Salik Company PJSC (the 'Company' or the 'Salik') corporate governance framework and the BOD's charter, which comply with all main requirements and provisions of the Chairman of Authority's Board of Directors' Decision no. (3/Chairman) of 2020 concerning approval of Joint Stock Companies (the 'Governance Guide').

As for the implementing method of Governance Guide provisions, the Company implemented various policies adopted by the Company Board of Directors taking into account the interests of the Company, shareholders and all other stakeholders, as follows:

A. Board of Directors:

The composition of the Board of Directors and its terms of reference comply with the requirements of SCA Governance Guide, the Commercial Companies Law No. 32 of 2021, the Articles of Association of the Company ('AOA'), as well as other relevant laws and regulations.

Salik adheres to the terms of reference set out by the Board of Directors in relation to its composition, operating procedures and responsibilities such as:

I. The Board is charged with the duty to ensure that the Company carries out its objectives described in the Articles of Association. It has the responsibility and authority to determine the frameworks, policies and practices which govern, control and monitor the management of the operations and risks of the Company in the interests of achieving these objectives.

II. The Board will provide clear, objective and appropriate guidelines, and will make its collective knowledge and experience available to the Company.

III. The Board shall be responsible for applying corporate governance regulations and criteria in accordance with the Corporate Governance (CG) Code which applies to all listed public joint stock companies in the United Arab Emirates.

IV. The Board retains the ability to delegate matters which it thinks appropriate to its own Committees, members of the Board, or to Senior Executive Management. Such powers are delegated by way of a defined authority matrix approved by the Board.

V. The independent Board members confirmed their independent status during the year 2022 and the Company verified that the legal requirements regarding the minimum number of independent Board members have been satisfied.

B. Committees of the Board of Directors

The Board of Directors established two (2) committees, as follows and each Board committee acts in accordance with its own terms of reference.:

I. Audit Committee

II. Nomination, Remuneration and ESG Committee

C. Internal Control:

I. The Board of Directors has established an Internal Control system to evaluate the means and procedures for operational issues, risk management and the implementation of the SCA Governance Guide.

II. The Board will monitor and request verification of compliance by the Company and its employees with applicable laws, regulations and resolutions that govern its operations, as well as internal procedures and policies, and the review of financial information.

III. The Audit Committee assists the Board in overseeing the application of the internal control system. The internal control policy requires that the Board of Directors annually reviews the Company's internal control system.

D. Code of Conduct

I. Salik adopted a code outlining the core values of the Company, which aims to enhance the spirit of responsibility and adherence to ethical standards.

II. The Code of Conduct applies to Salik Directors and Employees. Salik encourages contractors, consultants, business partners, suppliers and any other person who works with or represents Salik to follow and adopt the Code of Conduct.

E. Dealing in Company securities

I. The Board has agreed written rules in respect to the dealings of the members of the Board and employees of the Company in securities issued by the Company, its subsidiaries or sister companies.

2. Ownership and transactions of Board of Directors, their spouses and their children's transactions in company securities during 2022:

Name	Relationship/Position	Owned shares as on 31/12/2022	Total sale	Total purchase
Ibrahim Sultan Al Haddad	Board Member & CEO	1,000,000	-	1,000,000
Abdul Muhsen Ibrahim Kalbat	Vice-Chairman of the Board, Independent and Non-executive	1,000,000	-	1,000,000
Nouf Abdulmuhsen Ibrahim Abdulrahman Younus	Vice-Chairman daughter	1,081	-	1,081
Mohammed Al-Mudharreb	Independent Board Member, Non-executive	1,092	-	1,092
Sara Al Mudarreb	Mohammed Al-Mudharreb spouse	1,060	-	1,060
Rashed Mattar Mohamed Ahmed Al Tayer	Chairman Son	1,103	-	1,103

3. Composition of the Board of Directors:

A. **Formation of the current Board**

The Salik Board of Directors was constituted pursuant to Dubai Executive Council Resolution 43 of 2022.

Name	Category	Memberships and Positions in Other Joint Stock Companies (in UAE)	Starting from
H.E. Mattar Al Tayer - Chairman	Independent Non- Executive	N/A	23 Jun 22
Abdulmuhsen Ibrahim Abdulrahman Kalbat Vice Chairman	Independent Non- Executive	N/A	23 Jun 22
Eng. Maitha Mohammed bin Adai	Independent Non- Executive	N/A	23 Jun 22
Mohammad Yousuf Al-Mudarreb	Independent Non- Executive	N/A	23 Jun 22
Ibrahim Sultan Al Haddad - Chief Executive Officer ('CEO')	Executive	N/A	23 Jun 22
Mohammed Abdulla Lengawi	Independent Non- Executive	N/A	23 Jun 22
Mohammed Abdulrahman Alhawi	Independent Non- Executive	N/A	23 Jun 22

Experience & Qualifications and Memberships of Board of Directors:

His Excellency Mattar Al Tayer (Chairman)

His Excellency Mattar Al Tayer, Commissioner General for Infrastructure, Urban Planning and Well Being Pillar, and the Director General and Chairman of the Board of Executive Directors of the RTA, holds a bachelor's degree in Civil Engineering from the University of Wisconsin, USA, 1983. Prior to taking up the RTA's leadership role, Mr. Al Tayer had worked in the Dubai Municipality since 1983. He worked in several specialised and supervisory roles ranging from Director of the Roads Department to Deputy Director General of Dubai Municipality.

He assumed the leadership of the RTA in November 2005 and oversaw its establishment phase including the recruitment of competent and experienced professionals. Under his leadership, the RTA has made remarkable achievements in a variety of fields, including radical development of the mass transit system through mega projects, such as Dubai Metro (Red and Green lines) and Dubai Tram. It has made a major shift in bus and marine transit services, as well as improvements in the road network, including multiple crossings on Dubai Creek, such as Infinity Bridge, Business Bay Crossing, Al Garhoud Bridge and the Floating Bridge. RTA has also developed key roads and interchanges on Sheikh Zayed Road, Al Khail Road, Sheikh Mohammed bin Zayed Road and Emirates Road, as well as the construction of 15 projects to serve Expo 2020 costing more than AED 15 billion highlighted by Dubai Metro's Route 2020 and a sprawling roads network. Al Tayer has also overseen the improvement of the Dubai-Al Ain Road Project in addition to the Al Shindagha, Al Khawaneej and Tripoli corridors. His portfolio includes an array of projects such as the Dubai Water Canal, Jumeirah Corniche, Etihad Museum, Enterprise Command and Control Centre (EC3) and the Dubai Intelligent Traffic Systems Centre. Overall, Al Tayer has overseen projects worth more than AED 140 billion undertaken by RTA. Such achievements and projects have ranked the RTA amongst the leading and reputed global entities in the roads and transportation industry. Under his leadership, RTA has won more than 270 local, regional and international awards.

In his capacity as Commissioner General for Infrastructure, Urban Planning and Well Being Pillar, he oversaw the development of the Dubai 2040 Urban Master Plan, which sets out a long-term strategy for the Emirate and identifies the core urban planning areas highlighted by well-being, housing, economy and tourism as well as the governance and regulation of land uses, and the development of the Dubai Citizens Housing Policy. He oversees the implementation of projects under the Hatta Master Development Plan as Chairman of the Supreme Committee for Hatta Master Development, Dubai landscape and rural development projects, in addition to wellbeing initiatives and projects in the Emirate. He also steers the corporate transformation scheme for government departments affiliated with the Infrastructure, Urban Planning, and Well-Being namely Dubai Municipality, Dubai Land Department and Mohammed bin Rashid Housing Establishment. This cooperation has paid dividends, reflected in the launching a host of major initiatives across the Emirate including:

- A 20-Year government housing program (worth AED 65 billion);
- The Unified Comprehensive Map of Dubai Lands; and
- The Dubai RE-Tech Platform.

His Excellency is a Member of the Board of Directors at Etihad Rail.

Abdul Muhsen Ibrahim Kalbat (Vice-chairman)

Abdul Muhsen Ibrahim Kalbat has a wealth of more than 30 years of senior leadership experience in the public sector. He has been a member of the RTA's Board of Directors from its inception in 2005. He has actively played a crucial role in the establishment of the RTA through the development of robust and effective governance, operational and cross-functional frameworks and business organisational structure. He introduced creative management concepts and diverse approaches for improving administrative and technical processes across the RTA, which lead to transforming the processes from routine daily operations to a highly efficient strategic drive.

From 2005 through 2015, Mr. Kalbat was CEO of RTA's Strategy and Corporate Governance Sector, where he undertook responsibility to define and steer RTA's strategic direction towards fully integrated transportation solutions with the aim to shift private car use to public transport to support Dubai's long-term strategic development vision. In 2011, he was awarded by His Highness Sheikh Mohammed Bin Rashid Al Maktoum with a medal of honour for his valuable contributions to RTA's excellence and government work.

Mr. Kalbat has been the CEO of the Rail Agency since 2015. During this period, he has been actively focusing his efforts on improving operational efficiency, maximising revenue and minimising expenditure. In addition to his determination to expand, enhance and develop Dubai's railway network, he is focused on the efficient and optimal utilisation of budget through the public-private partnership scheme. He has also accomplished savings in development and operational costs at the Rail agency.

He received his Bachelor of Arts in Computer Science from the University of the United Arab Emirates, Al Ain, and is a graduate of the Mohammed Bin Rashid Executive Leadership Development Program.

Eng. Maitha Bin Adai (Director)

Eng. Maitha Bin Adai has been CEO for the Traffic and Roads Agency at RTA since its establishment in 2005, during which she has supervised the design and implementation of several projects including Dubai's floating bridge project, the Dubai water canal, road projects for Expo 2020, and the establishment of road toll operator services.

Eng. Bin Adai maintains a comprehensive portfolio of awards on the global and regional levels, including the Sheikh Rashid Award for Scientific Excellence and the MBR Medal for her contribution to the success of the Dubai Metro project and road projects undertaken in support thereof, in addition to the Golden Excellence Shield by the Ambassador of Arab Cooperation for the Arab Council for Social Responsibility in the Hashemite Kingdom of Jordan for her efforts in realising the business and social responsibility mission. Eng. Bin Adai has also earned the Prince Michael International Road Safety Award, as well as several awards from the Hamdan bin Mohammed Smart Government Programme. Ms. Bin Adai has been selected as one of the top 10 influential women leaders in the governmental sector by Forbes in 2018, and earned a Lifetime Achievement Award from MEED International Foundation in 2018, and numerous other awards relating to leadership, infrastructure and transportation.

Eng. Bin Adai acts as chairman of several important boards and committees in the transportation, traffic safety and sustainability sectors. She has a Master's Degree in Transportation Engineering from the University of Newcastle, and a bachelor's degree in Civil Engineering from the University of Kuwait.

Mohammed Al-Mudharreb (Director)
Mohammed Al-Mudharreb is a digital transformation leader in the mobility sector in Dubai, serving as the CEO of RTA's Corporate Technology Support Services. He is responsible for leveraging cutting-edge technologies to create pioneering, digitally enabled experiences for drivers, commuters and road users.

He built his extensive leadership portfolio and experience as Director of Rail Operations at the RTA.

Mr. Al-Mudharreb was also responsible for the delivery and operation of the Automated Fare Collection System for all transport modes in Dubai as well as creating other commercial revenue streams utilising such infrastructure. He is a member of numerous city-wide committees and taskforces that oversee the digital transformation journey in Dubai.

Ibrahim Al Haddad (Director and Chief Executive Officer)
Ibrahim Al Haddad is a highly experienced professional with 17+ years track record of delivering high impactful projects in the public and private sectors. Since he joined the RTA in 2013, he has focused on commercial transformation and public private partnerships projects and spearheaded implementation of many marquee projects for RTA such as the Hala Joint Venture Agreement between RTA and Careem, the commercial transformation of Dubai Taxi, the concession agreement with Hypermedia and implementation of the RTA Invest Portal. Under his leadership, the Commercial and Investment Department won the CFI award for 'Most Innovative Logistics Project Investment Team – GCC 2019' and achieved ISO 10014:2006 Certification (first entity in the region) by demonstrating that RTA's commercial and investment practices are in line with global leading practices.

Mr. Al Haddad holds a master's degree in Real Estate Management from the University of South Wales – Sydney, in addition to a Bachelor's Degree in Architectural Engineering from UAE University.

Mohammed Abdulla Lengawi (Director)
Mohammed Abdulla Lengawi is experienced in safety, security and crisis management, and airport operations with a strong business acumen. He has hands-on experience in planning, organising, coordinating, directing and controlling airport crisis functions and all matters related to aviation. Mr. Lengawi's current role since 2016 is Executive Director of Aviation Security & Accident Investigation, where he is responsible for aviation security, risk minimisation, policymaking and many other functions. He has a proven track record of managing a variety of departments and related functions with exceeding high-level management expectations.

Mohammed Abdulrahman Alhawi (Director)
Mohammed Alhawi is currently Director of Economic Development at the Executive Council, where he leads Dubai economic policy and strategy development in coordination with all related stakeholders from the public and private sectors. He also serves as Chairman of the Economic Team and reports to the Executive Council with the mandate of enhancing Dubai's economic and competitive position.

In his previous role as Vice President in the Technology, Manufacturing & Mining Platform at Mubadala, Mr. Alhawi led an international investment consortium of multi-billion-dollar infrastructure projects. He was also responsible for creation of the research and development strategy for the world's 5th largest aluminium company.

Holding various positions at the Prime Minister's Office and The Executive Office over the years, Mr. Alhawi has a track record of using interpersonal skills, negotiation capabilities and crisis management skills to deliver institutional objectives. Mr. Alhawi also has experience in developing and implementing high-level government initiatives and policies.

Mr. Alhawi received a Master of Science in Computer Science from University College London, in addition to a Bachelor of Science in Mathematics from Imperial College London.

B. The percentage of female representation on the Board for 2022
Eng. Maitha Bin Adai is the female representative on the Board of Directors for the year 2022. She was appointed pursuant to Dubai Executive Council Resolution 43 of 2022.

C. Remunerations Statements
I. Total remunerations paid to Board members for 2021

Salik was established on 17 June 2022 and hence there was no Board remuneration for 2021.

II. Total remunerations of the Board members, which are proposed for 2022, and will be presented in the Annual General Assembly meeting for approval in line with the Board Remuneration Policy of the Company approved by shareholders at the Annual General Meeting on 31 August 2022, and which remuneration is subject to approval by the Annual General Meeting of the Company

AED 3,100,000 as a total remuneration to be paid to the Board members of the Company.

III. Details of the allowances for attending sessions of the committees emanating from the Board, which were received by Board members for fiscal year 2022:

Name	Position	Committee	No of Meeting	Total (AED)
Abdulmuhsen Ibrahim Abdulrahman Kalbat	Chair	Audit Committee	1	15000
Mohammed Abdulrahman Alhawi	Vice – Chair	Audit Committee	1	10000
Mohammed Abdulla Lengawi	Member	NRESG Committee	1	10000
Mohammad Yousuf Al-Mudarreb	Chair	NRESG Committee	2	30000
Mohammed Abdulla Lengawi	Vice – Chair	NRESG Committee	1	10000
Mohammed Abdulrahman Alhawi	Member	NRESG Committee	2	20000

IV. Details of additional allowances, salaries or fees received by a Board member other than allowances for attending committees, and their reasons.

Board members did not receive any additional allowances, salaries or fees in 2022.

D. Number of the Board meetings held during 2022

The Board of Directors held three (3) meetings in 2022 before the listing of Salik shares and two (2) meetings after the listing on Dubai Financial Market as detailed below. The Board of Directors accepted the absences shown.

When Directors are unable to attend meetings due to scheduling conflicts, they receive and read the materials to be discussed and, if necessary, can follow up with the relevant Chair of the meeting.

Name	30 Jun 22	14 July 22	30 Aug 22	9 Nov 22	28 Nov 22
H.E. Mattar Al Tayer	Present	Apologised	Present	Present	Present
Abdulmuhsen Ibrahim Abdulrahman Kalbat	Present	Present	Present	Present	Present
Eng. Maitha Mohammed bin Adai.	Present	Apologised	Present	Present	Present
Mohammad Yousuf Al-Mudarreb	Present	Present	Present	Present	Present
Ibrahim Sultan Al Haddad	Present	Present	Present	Present	Present
Mohammed Abdulla Lengawi	Present	Present	Present	Apologised	Present
Mohammed Abdulrahman Alhawi	Present	Present	Present	Present	Present

E. Number of Board resolutions passed during 2022 and meeting dates

The Board of Directors held three (3) meetings by circulation before the listing on Dubai Financial Market on the following days:

- 5 August 2022
- 17 August 2022
- 15 September 2022

F. Board duties and powers exercised by Board members or executive management members during 2022

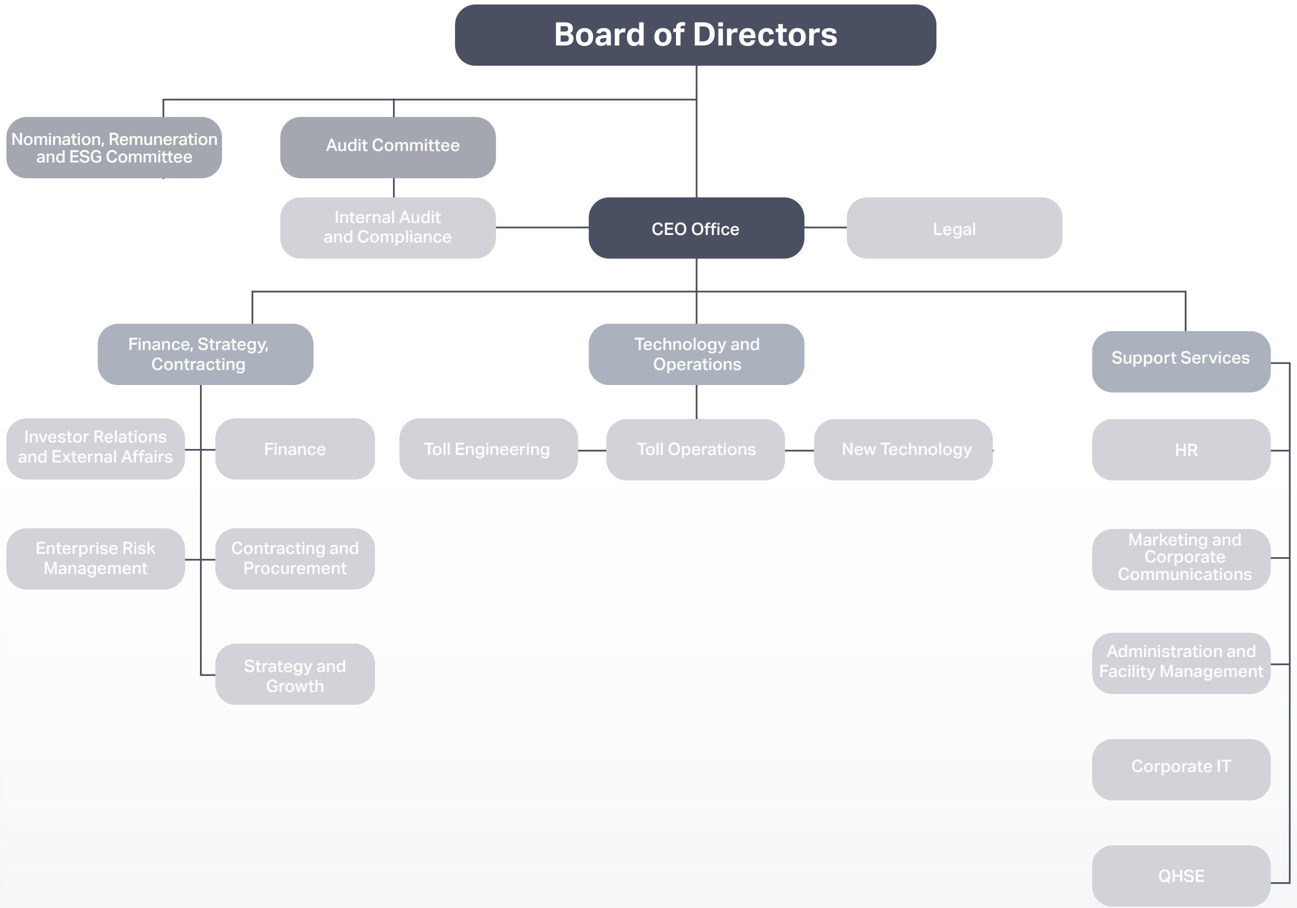
The Board of Directors delegated to the executive management powers relating to various matters such as the powers to approve consultancy services, operating expenses and banking transactions within certain financial limits. This delegation of powers is reviewed and approved each year by the Board of Directors.

G. Transaction with related parties

The Company has not entered into any transaction with related parties in accordance with the definitions provided for these terms in the SCA Governance Guide.

The financial statements for the year 2022 reflect the key related party transactions as such term is defined in the International Financial Reporting Standards (IFRS).

H. Salik organisational structure



I. **Senior Executive Employees:**
The table below states names, positions, joining dates, total salaries and bonuses for 2022:

Name	Position	Date of joining	Total salaries (AED)	Other benefits for FY22 paid in Jan & Feb 2023 (AED)	Total bonuses (AED)	Other bonuses/ remuneration for 2022 or due in future (AED)
Ibrahim Al Haddad	CEO	1 July 2022	792,000	234,250	176,273	None
Maged Ibrahim	CFO	1 July 2022	540,000	135,750	104,205	
Tariq Mohammed	CTO	1 November 2022	176,000	56,667	Not eligible	

4. External Auditor

A. **An overview of the company's auditor**
PricewaterhouseCoopers (PwC) is an international professional services brand of firms, operating as partnerships under the PwC brand. It is amongst the largest professional services networks in the world. As a community of solvers, with 7,000 people across the Middle East region, PwC brings the right combination of people, technology and expert capabilities from Strategy, through Advisory and Consulting to Tax and Assurance Services, to solve the region's most pressing challenges. PwC is the second-largest professional services network in the world, and is considered one of the Big Four accounting firms.

B. **Fees and costs for audit or services provided by the external auditor:**

Audit firm name	PricewaterhouseCoopers (Dubai Branch) Murad Alnsour Registered Auditor Number 1301
Number of years he served as the company external auditor	First year
Total audit fess for 2022	AED 550,000
Fees for non-audit services in 2022	Nil
Details of non-audit services in 2022	Nil
Details of any professional services provided by other audit firms	KPMG Lower Gulf Limited: Provide implementation support for finance and accounting, procurement and VAT services along with financial statements preparation and reporting in line with applicable regulatory requirements and standards.

C. **Reservations that the auditor included in the interim and annual financial statements for 2022:**
(no Reservations or concerns).

5. Audit Committee

A. **The Audit Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, review of its work mechanism and for ensuring its effectiveness**
Abdulmuhsen Ibrahim Abdulrahman Kalbat, the Audit Committee Chairman, acknowledges his responsibility for the committee system in the Company, as well as the review of its work mechanism and for ensuring its effectiveness.

B. **Names of Audit Committee members with competences and assigned tasks**

Name	Category in BOD	Position in the Committee
Abdulmuhsen Ibrahim Abdulrahman Kalbat	Independent non-executive	Chairman
Mohammed Abdulrahman Alhawi	Independent non-executive	Vice Chair
Mohammed Abdulla Lengawi	Independent non-executive	Member

The Audit Committee performs a number of duties including supervising the propriety of the financial statements, related reports and accounting processes, audits on the financial, internal control and risk management processes and compliance with the Corporation's Code of Conduct.

The Audit Committee also develops and implements the policy dealing with the appointing, contracting and supervising the independence, performance and scope of the external auditor

C. **Number of meetings held by the Audit Committee during 2022**
The Audit Committee held one (1) meeting in 2022 after the listing on Dubai Financial Market summarised as follows:

Meeting	Date
First	27 October 2022

Below are the attendance details of Audit Committee members:

Name	Attendance
Abdulmuhsen Ibrahim Abdulrahman Kalbat	100%
Mohammed Abdulrahman Alhawi	100%
Mohammed Abdulla Lengawi	100%

6. Nomination, Remuneration and ESG Committee:

A. **The Nomination, Remuneration and ESG Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, his review of its work mechanism, and for ensuring its effectiveness**
Mohammad Yousuf Al-Mudarreb, the Nomination, Remuneration and ESG Committee chairman, acknowledges his responsibility for the committee system in the Company, his review of its work mechanism, and for ensuring its effectiveness.

B. **Names of Nomination, Remuneration and ESG Committee members with their competences and assigned tasks**

Name	Category in BOD	Position in the Committee
Mohammad Yousuf Al-Mudarreb	Independent non-executive	Chairman
Mohammed Abdulla Lengawi	Independent non-executive	Vice Chair
Mohammed Abdulrahman Alhawi	Independent non-executive	Member

The Nomination, Remuneration and ESG Committee primarily oversees the independence of the Board's independent directors, the development of remuneration policies for the Board, management and employees, the Company's recruiting needs, the development of HR policies, in addition to the Board of Directors nomination process.

C. **Number of meetings held by the Committee during 2022**
The Nomination, Remuneration and ESG Committee held two (2) meeting in 2022 after the listing on Dubai Financial Market summarised as follows:

Meeting	Date
First	17 Oct 2022
Second	22 Nov 2022

Below are the attendance details of Nomination, Remuneration and ESG Committee members:

Name	Attendance
Mohammad Yousuf Al-Mudarreb	100%
Mohammed Abdulla Lengawi	50%
Mohammed Abdulrahman Alhawi	100%

7. Committee for monitoring insider register

A. **Acknowledgment by the Committee Chairman or authorised person of his responsibility for the Committee system at the Company, review of its work mechanism, and for ensuring its effectiveness.**
The Board of Directors sets out the insider policy guidelines for those with access to insider information, including Board Members, employees and independent contractors. The policy strictly prohibits trading of Salik securities based on non-public information and requires Salik to regularly submit to SCA and DFM an updated register of insiders who have access to sensitive company information.

B. **The Board Secretary Dr. Fady Kayyal has been appointed for following up on and supervising the transactions of insiders.**
Dr. Fady Kayyal acknowledges his responsibility for the follow-up and supervision system on transactions of insiders in the Company, review of its work mechanism, and for ensuring its effectiveness.

C. **Names of members of the Supervision and Follow-up Committee of insider transactions, clarifying their competences and tasks assigned to them.**
The Board Secretary will play the role of supervision on the Salik insider register as well as updating employees on the blackout period.

D. **A summary of the committee's work report during 2022. (In case the committee was not formed, the reasons should be explained).**
Since its inception, the Company has considered all Salik employees and Board of Directors, as well as other contractors, as insiders.

E. **(In case the committee was not formed, the reasons should be explained).**
As the committee establishment is not mandatory as per SCA, the Company did not form an insider committee.

8. Any other committee (s) approved by the Board.

No other Board of Directors committees have been approved by the Board.

9. Internal Control System

A. **Acknowledgment by the Board of its responsibility for the Company internal control system, review of its work mechanism, and for ensuring its effectiveness**
The Board has the overall responsibility for ensuring effectiveness of the internal control system of Salik. The Board is responsible for setting a clear framework to ensure an effective internal control system. This allows effective and efficient operations, accurate financial reporting and compliance with laws and regulations.

Salik operates a 'Three Lines of Defence' model in which roles and responsibilities are clearly defined. The Three Lines model distinguishes amongst three groups (or lines) involved in effective governance, risk and compliance management systems for the control environment of the Company.

- 1st line of Defence - Functions that own and manage risks
- 2nd line of Defence - Functions that oversee risks and act in advisory role
- 3rd line of Defence - Functions that provide independent assurance

Internal Audit is an independent and objective assurance and advisory section in Salik, that is guided by a philosophy of adding value to Salik. It assists Salik in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of Salik's risk management, control, financial management and governance processes. The key roles and responsibilities of the Internal Audit Department are as follows:

- Review operational activities carried out by departments and divisions within Salik and determine their alignment with the Executive Management's and Board's instructions and Salik 's objectives, policies and procedures.
- Review the reliability and integrity of financial and operating information and the means used to identify measure, classify and report such information.
- Carrying out ad -hoc appraisals, special audits and fraud investigation, upon Audit Committee/Management request.
- Review the means of safeguarding the Company's assets and, as appropriate, verify the existence of such assets.
- Review and appraise the efficiency of resources employed by Salik.
- Provide adequate follow-up to ensure corrective action is taken and periodically report to the Audit Committee the status of corrective actions and audit observations.
- Review and evaluate governance and risk management processes.

Salik has a Compliance section which is responsible for the following:

- Ensuring the Company's compliance with applicable laws, regulations and internal regulations of the Company and promoting a strong compliance culture within Salik.
- Developing and reviewing key Compliance policies such as the Compliance Framework (including policies, procedures and plan), Code of Conduct, Anti-Money Laundering Policy, Whistleblowing Policy, Anti-Bribery Corruption Policy, Related-Party Transactions Policy and other policies to ensure compliance with applicable laws, regulations and internal policies and procedures of the Company.
- Reviewing (and advising the Board on corporate/legal issues) and ensuring that the provisions of the SCA and AoA and relevant laws are complied with.
- Report to Salik's Board and Audit Committee on all compliance matters within its duties and responsibilities as and when required.
- Ensure the adequacy of Salik's availability of a whistleblowing and fraud control system to raise concerns, in confidence, about possible wrongdoings in accounting, financial reporting or other matters.

B. **Name of the department director, his qualifications and date of appointment**
Internal Audit & Compliance Section is represented by Maroot Sachdeva, who was appointed on 1 Sept 2022. He has more than 16 years of experience in accounting, internal audit, finance, compliance and ethics and risk, amongst other areas. He holds a Master's Degree in Finance from a reputable university.

He is responsible for managing and monitoring Internal Audit and Compliance. He is responsible for the completion of the annual Internal Audit & Compliance Plan to provide assurance on the overall control governance of the Company. He has extensive experience in working in similar roles in other UAE-listed companies and consulting companies.

C. **Name of compliance officer, his qualifications and date of appointment**
As Salik's compliance officer, Maroot Sachdeva oversees the Compliance Section covering critical areas such as the Code of Conduct and underlying policies including but not limited to the Whistleblowing Policy, Anti-Bribery/Anti-Corruption Policy, Related-Party Transactions Policy in line with SCA's mandate regarding the roles and responsibilities of compliance officers.

He plays a key role in formulating Salik's internal audit and compliance strategy and defining the IA and Compliance roadmap, which foster a compliance-oriented culture.

D. **How the Internal Control Department dealt with any major problems at the Company or those that were disclosed in annual reports and accounts. (In case of the absence of major problems, it must be mentioned that the Company did not face any problems).**
On 1 July 2022, Salik Company PJSC was formed with the main objective being to operate, manage and develop the traffic toll system exclusively within the Emirate of Dubai, in accordance with the concession agreement entered into with the Roads & Transport Authority. Since the company is new, it did not face any such problems.

E. **Number of reports issued by the Internal Control Department to the Company's Board of Directors**
Since Salik has just been recently formed, Salik has to date not issued any internal audit and compliance reports to the Board/Audit Committee.

For FY 2023, the Audit Committee has approved the Internal Audit and Compliance Section's first Internal Audit and Compliance Annual Plan. The Internal Audit and Compliance Section will execute the aforementioned plan and submit reports to the Board/Audit Committee, as per the approved plan.

10. Details of violations committed during 2022, explaining their causes, how to address them, and how to avoid their recurrence in the future

The Company did not commit any violations of the Governance Guide during 2022.

11. Corporate Social Responsibility and Environmental Protection

Since Salik has only recently been incorporated (17 June 2022) and no new corporate social responsibility and environmental protection initiatives were launched since then until year-end.

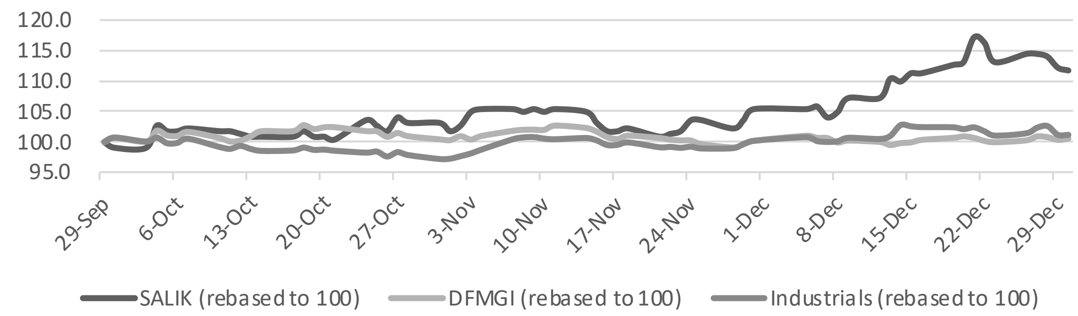
12. General Information

A. **The company's share price (highest, lowest, and closing prices in AED) at the end of each month during the fiscal year 2022.**
Trading of Salik shares on the Dubai Financial Market started on 29 September 2022.

Month	Highest price	Lowest price	Closing price
September	2.41	2.20	2.20
October	2.31	2.28	2.29
November	2.36	2.32	2.34
December	2.63	2.54	2.48

B. **The company's comparative performance with the general market index and sector index during 2022.**
SALIK's share price increased by 11.7% from the close of its first day of trading until year-end, outperforming both the DFM General Index and the Industrials Index, which increased by 0.6% and 1.1%, respectively, in the same period. SALIK's share price increased by 24.0% from its IPO price of AED 2.0/share until year-end.

Month	SALIK	DFMGI	Industrials
September	2.20	3,339.2	2,356.2
October	2.29	3,331.8	2,272.1
November	2.34	3,324.0	2,343.2
December	2.48	3,336.1	2,366.6



C. **Shareholder ownership distribution at 31 December 2022 (individuals, companies, government) classified as follows: local, GCC, Arab and foreign.**

Ser.	Shareholder's classification	Percentage of owned shares			
		Individuals	Companies	Government	Total
	Local	5.23%	8.53%	86.24%	89.60%
	Arab*	40.79%	59.21%	0.00%	1.37%
	Foreign	6.22%	93.39%	0.039%	9.03%
	Total	5.81%	16.89%	77.30%	100.00%

* Arab includes GCC and other Arab countries

D. Shareholders holding 5% or more of the Company's capital as at 31 December 2022:

Name	Number of owned shares	Percentage of owned shares of the company's capital
Department of Finance – Government of Dubai	5,632,500,000	75.1%

E. Shareholder distribution by the size of ownership as at 31 December 2022:

Ser.	Share (s) ownership	Number of shareholders	Number of owned shares	Percentage of owned shares of the capital
1	Less than 50,000	53,487	77,870,415	1.04%
2	From 50,000 to less than 500,000	467	68,083,533	0.91%
3	From 500,000 to less than 5,000,000	238	351,963,698	4.69%
4	More than 5,000,000	51	7,002,082,354	93.36%

F. Investor relations

Salik established its investor relations section as part of the Finance, Strategy, and Procurement department in July 2022 in preparation for the Company's initial public offering in September.

Salik holds quarterly conference calls and publishes earnings releases and presentations and other materials to provide updates on its financial and operational performance and outlook to the investment community, including shareholders, potential investors, and analysts. Salik also participates in off-cycle investor events and regular meetings with the investment community.

Salik strives to resolve investor queries, including those raised by retail investors, within one business day.

The section is headed by Mohamed Zeinelabedin, a capital markets professional with over 15 years of experience, mostly as a sell-side analyst covering a range of sectors in the MENA region, and most recently as Head of Analyst Engagement for Saudi Aramco's investor relations department.

Investor relations contacts
Mohamed Zeinelabedin
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Mobile: +971507497174
Email: Mohamed.Zeinelabedin@salik.ae
English webpage: https://www.salik.ae/en/investors/overview
Arabic webpage: https://www.salik.ae/ar/investors/overview

G. Special decisions presented in the General Assembly during 2022 and the procedures taken in their regard
Salik was established on 17 June 2022 and the Salik AGM did not issue any special resolutions during the remainder of 2022.

H. Board Secretary

Name	Appointment Date	Qualifications
Dr. Fady Kayyal	27 July 2022	Bachelor's Degree in Law from Damascus University - Syria Master's Degree in Finance and Banking from Bordeaux University - France PhD in Business Administration from EU University - Switzerland

I. Major events experienced by the Company in 2022.
On 29 September 2022, Salik shares began trading on the Dubai Financial Market, culminating a successful IPO. The strong support for the issuance prompted the Government of Dubai as the Selling Shareholder, represented by the Department of Finance, to increase the offered shares from 1,500,000,000 to 1,867,500,000 shares representing 24.9% of the company's share capital, at a price of AED 2.0 per share. The offering was oversubscribed by more than 49 times as it drew orders with a total value exceeding AED 184 billion.

J. No transactions amounted 5% of the capital or more

K. The Company's Emiratization rate:

2020	2021	2022
Company didn't exist	Company didn't exist	47%

L. No new innovative projects or initiatives has been developed since the Company's formation in June 2022

Signature of the Board Chairman	Signature of Audit Committee Chairman	Signature of Nomination and Remuneration Committee Chairman	Signature of Internal Control Department Director on the behalf of the director
Date: 6 / 3 / 2023	Date: 6 / 3 / 2023	Date: 6 / 3 / 2023	Date: 6 / 3 / 2023

07

Financial Statements

Salik Company P.J.S.C.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022.

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 2022, the Company reported a revenue of AED 1,892 million (2021: AED 1,693 million) and profit for the year was AED 1,326 million (2021: AED 1,381 million).

Dividend

On 6 March 2023, the Board of Directors proposed to distribute AED 491,407,500 dividend to the shareholders (6.5521 fils per share), reflecting 100% of the Company's distributable net profit for the second half of 2022 after deducting AED 37.5 million in one-time statutory reserve, 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 2023.

for the Board of Directors

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

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 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting 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 2022;
- the statement of financial position as at 31 December 2022;
- 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, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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.

Emphases 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. has not been 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 30 June 2022. Therefore, the financial statements include the carve-out financial information of the Salik Tolling Business within RTA for the period from 1 January 2022 to 30 June 2022 and the comparative information for the year ended 31 December 2021. We also draw attention to Note 2 to the financial statements, which details the basis of preparation of the carve-out financial information for these periods.

Our opinion is not modified in respect of these matters.

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 • 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 313,410 thousand as at 31 December 2022, of which AED 286,182 thousand relates to receivable from fines and penalties. As at 31 December 2022, the Company has recorded a loss allowance of AED 183,074 thousand on these fines and penalties receivable.	We obtained an understanding of management's assessment of the impairment of fines and penalties 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:
The balance of loss allowance on fines and penalties receivable represents management's best estimate, as at 31 December 2022, of the expected credit losses under the expected credit loss model ("ECL Model" or "ECL") as stipulated by International Financial Reporting Standard No. 9: Financial Instruments ("IFRS 9").	- 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.	- We tested the accuracy and relevance of the fines and penalties receivable aging data used in the expected credit loss model by testing the aging of receivables on a sample basis and checked the mathematical accuracy of the calculations.
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 and penalties receivable balances written off.	- 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.
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.	- For the probability of default, historical loss rates calculation was tested by extracting the fines and penalties 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 such collection information on a sample basis.
We considered ECL for receivable from fines and penalties as a key audit matter as (i) its determination involves significant management judgement; (ii) it is sensitive to changes in management's assumptions which can have a material effect on the final estimated amounts involved.	- For forward-looking measurements, reviewed management's selection of economic indicators, scenarios and application of weightings.
The ECL against fines and penalties receivable as at 31 December 2022 and the accounting policy associated with ECL is disclosed in Note 20 and Note 4.20 respectively.	- We tested the appropriateness of disclosures in the financial statements against the requirements of IFRS.

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
Revenue recognition	
During the year, the Company earned total revenue of AED 1,892,306 thousand of which AED 201,594 thousand was generated from fines and penalties charged. The fines and penalties revenue is generated automatically from the Tolling application and is validated using data maintained in a Central Traffic application. The validated fines and penalties 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 various government entities. The low value of individual transactions on fines and penalties 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 oversight or 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 penalties and the accounting policy associated with the recognition and measurement of fines and penalties revenue is disclosed in Note 6 and Note 4.21 respectively.	IT general controls and application controls reliance could not be placed on ERP and Central Traffic applications as these services were provided by now-unrelated government entities and no assurance report was available for these applications which would provide comfort over the controls surrounding these applications, and on which we could rely. Therefore, substantive audit procedures were performed by us over fines and penalties revenue. Our audit procedures included: - Assessing the Company's accounting policy for fines and penalties revenue recognition and its disclosures in the financial statements against the requirements of IFRS. - Obtaining an understanding of the fines and penalties revenue recognition process, financial reporting and application systems involved, interfaces, reports and automated and IT dependent manual controls supporting these applications and processes. - Evaluating the design and testing the operating effectiveness of IT general and application controls over the Company's Tolling application involved in the fines and penalties revenue generation. - Testing the application controls operating within the Tolling application to ensure that fines and penalties 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 interface between the Tolling application and Central Traffic application by testing a sample of individual fines and penalties generated by the Tolling application and validated by the Central Traffic application. - Evaluating the design, implementation and operating effectiveness of manual controls supporting the ERP application. - Performing a reconciliation of fines and penalties revenue generated during the year, extracted from the Tolling application, with the fines and penalties revenue recorded in the ERP.

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 the Directors' Report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Company's Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will 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, on other information that we obtained prior to the date of this auditor's report, 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.

When we read the Company's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 International Financial Reporting 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 2022;

vi) note 22 to the financial statements discloses material related party transactions and the terms under which they were conducted;

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 2022 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, or its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022; and

viii) no social contributions were made during the year ended 31 December 2022.

PricewaterhouseCoopers
6 March 2023

Murad Alnsour
Registered Auditor Number 1301
Dubai, United Arab Emirates

Salik Company P.J.S.C.

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

	Notes	2022 AED'000	2021 AED'000
Revenue	6	**1,892,306**	1,693,207
Other income	7	**9,176**	-
Finance income		**2,998**	-
Cost of tags and recharge cards	8	**(20,144)**	(21,766)
Toll operation and maintenance expense	9	**(90,295)**	(85,859)
Employee benefit expenses	10	**(11,957)**	(9,551)
Depreciation and amortisation expense	11	**(44,148)**	(6,000)
Service providers commissions	13	**(35,362)**	(30,591)
Concession fee expense	16	**(207,560)**	-
Software enhancement expense	18	**(13,743)**	(9,972)
Impairment loss on trade receivables	20	**(26,614)**	(26,279)
Corporate allocation expense	22	**(40,521)**	(113,076)
Finance costs	12	**(73,115)**	-
Other expenses	14	**(15,359)**	(9,538)
Profit for the year		**1,325,662**	1,380,575
Other comprehensive income		**-**	-
Total comprehensive income for the year		**1,325,662**	1,380,575
Basic and diluted earnings per share for profit attributable to the ordinary equity holders of the Company (AED)	30	**0.18**	0.18

The accompanying notes 1 to 36 form an integral part of these financial statements.

Salik Company P.J.S.C.

STATEMENT OF FINANCIAL POSITION

	Notes	2022 AED'000	2021 AED'000
ASSETS			
Non-current assets			
Property and equipment	17	**90**	107,337
Intangibles	15	**3,959,183**	-
Other asset		**720**	-
		3,959,993	107,337
Current assets			
Inventories	19	**11,536**	16,044
Trade and other receivables	20	**364,407**	191,936
Due from related parties	22	**144,308**	-
Cash and cash equivalents	21	**822,707**	-
		1,342,958	207,980
Total assets		**5,302,951**	315,317
LIABILITIES			
Non-current liabilities			
Long-term borrowings	23	**3,985,573**	-
Provision for employees' end-of-service benefits	24	**2,624**	2,377
Contract liabilities	26	**43,195**	36,723
		4,031,392	39,100
Current liabilities			
Due to a related party	22	**313,492**	-
Trade and other payables	25	**59,815**	9,674
Contract liabilities	26	**294,338**	276,623
		667,645	286,297
Total liabilities		**4,699,037**	325,397
EQUITY			
Share capital	27	**75,000**	-
Retained earnings		**491,414**	-
Statutory reserve	28	**37,500**	-
Net parent investment		**-**	(10,080)
Total equity		**603,914**	(10,080)
Total equity and liabilities		**5,302,951**	315,317

These financial statements were approved by the Board of Directors on 6th March 2023 and signed on its behalf by:

Chief Executive Officer

Chairman of the Board of Directors

The accompanying notes 1 to 36 form an integral part of these financial statements.

Salik Company P.J.S.C.

STATEMENT OF CASH FLOWS

	Notes	2022 AED'000	2021 AED'000
Cash flows from operating activities			
Profit for the year		**1,325,662**	1,380,575
Adjustments for:			
Depreciation of property and equipment	11	**3,331**	6,000
Amortisation of intangibles	11	**40,817**	-
Provision for employees' end-of-service benefits	10	**988**	245
Finance costs	12	**73,115**	-
Finance income		**(2,998)**	-
Liability no longer payable written back	7	**(7,950)**	-
Impairment loss on trade receivables	20	**26,614**	26,279
Operating cash flows before changes in working capital		**1,459,579**	1,413,099
Changes in working capital:			
Trade and other receivables excluding impact of impairment loss		**(199,085)**	(109,245)
Due from related parties		**(144,308)**	-
Inventories		**4,508**	3,484
Trade and other payables excluding impact of liabilities written back		**58,091**	(97,537)
Due to a related party excluding impact of transfer of property and equipment		**313,388**	-
Other assets		**(720)**	-
Contract liabilities		**24,187**	24,147
Net cash flows generated from operating activities		**1,515,640**	1,233,948
Cash flows from investing activities			
Payment for purchase of property and equipment	17	**(3,158)**	(1,209)
Interest income on deposits		**2,998**	-
Payment for upfront concession fee	15	**(4,000,000)**	-
Net cash used in investing activities		**(4,000,160)**	(1,209)
Cash flows from financing activities			
Net distributions to parent	22	**(826,711)**	(1,232,739)
Proceeds from borrowings - net of transaction cost	23	**3,985,573**	-
Finance costs paid	12	**(73,115)**	-
Proceeds from issuance of share capital	27	**75,000**	-
Capital contribution received	29	**146,480**	-
Net cash generated from / (used in) financing activities		**3,307,227**	(1,232,739)
Increase in cash and cash equivalents		**822,707**	-
Cash and cash equivalents at the beginning of the year		**-**	-
Cash and cash equivalents at the end of the year	21	**822,707**	-
Supplemental non-cash information			
Property and equipment not transferred to the Company		**107,178**	-
End of service benefit liability of employees not transferred to the Company	24	**741**	-

The accompanying notes 1 to 36 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 2021	-	-	-	(157,916)	-	(157,916)
Total comprehensive income during the year	-	-	-	1,380,575	-	1,380,575
Net distribution to parent (Note 22)	-	-	-	(1,232,739)	-	(1,232,739)
At 31 December 2021	-	-	-	(10,080)	-	(10,080)
Issuance of share capital (Note 27)	**75,000**	**-**	**-**	**-**	**-**	**75,000**
Capital contribution received (Note 29)	**-**	**-**	**146,480**			**146,480**
Transfer from retained earnings (Note 28)	**-**	**37,500**	**-**		**(37,500)**	**-**
Total comprehensive income during the year	**-**	**-**	**-**	**796,748**	**528,914**	**1,325,662**
Net distribution to parent (Note 22)	**-**	**-**	**-**	**(826,711)**	**-**	**(826,711)**
Property and equipment not transferred to the Company (Note 17)	**-**	**-**	**-**	**(107,178)**	**-**	**(107,178)**
End of service benefit liability of employees not transferred to the Company (Note 24)	**-**	**-**	**-**	**741**	**-**	**741**
Transfer during the year (Note 29)	**-**	**-**	**(146,480)**	**146,480**	**-**	**-**
At 31 December 2022	**75,000**	**37,500**			**491,414**	**603,914**

The accompanying notes 1 to 36 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 2022

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 registered address of the Company is Floor 1, Block C, RTA Headquarter, Al-Garhoud, Marrakech Street, Dubai.

Dubai Department of Finance ("DoF" or the "Parent"), on behalf of the Government of Dubai, owns Salik Company P.J.S.C. The Company is ultimately owned and controlled by the Government of Dubai ('ultimate controlling party'). On 29 September 2022, DoF has sold 24.9% shares of the Company 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 year ended 31 December 2022.

The comparative information for the statement of financial position, statement of comprehensive income, statements of changes in equity, cash flows, and related explanatory notes are based on the audited Roads and Transport Authority ("RTA") – Salik Tolling Business carve-out financial statements as at and for the year ended 31 December 2021 (Refer to Not 2 for further details).

2. BASIS OF PREPARATION

These financial statements of the Company have been prepared in accordance with 'International Financial Reporting Standards' ("IFRS") and interpretations issued by the IFRS Interpretation Committee ("IFRS IC") applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). 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.

The Company began operating as a separate legal entity from 1 July 2022 upon completion of the transfer of the RTA – Salik Tolling Business to Salik Company P.J.S.C. Therefore these financial statements for the year ended 31 December 2022 includes the actual operations of Salik for the period from 1 July 2022 to 31 December 2022 and carved out information of Salik Tolling Business within the RTA for the period from 1 January 2022 to 30 June 2022. Further, the comparative information for the year ended 31 December 2021 also represents carved out information from the accounting record of RTA.

The transfer of the 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 year ended 31 December 2022 includes financial information for the period from 1 January 2022 to 30 June 2022, which represents 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 Company's results and financial performance has been carved-out from the accounting records of RTA and reflect the revenues and expenses of Salik Tolling Business as if these had always been a part of the Company. The assets and liabilities were transferred from RTA to the Company on the day of its incorporation at their predecessor carrying values and fair value measurement was not required.

The financial results and cash flows for the year ended 31 December 2021 and for the period from 1 January 2022 to 30 June 2022 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 22. During the comparative period presented and for the period from 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.

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Salik

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. BASIS OF PREPARATION (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 periods presented. A complete discussion of the Company's relationship with RTA, together with the cost allocations, is included in Note 22 to the financial statements.

Because Salik is not a standalone legal entity in the historical period presented, Parent's net investment as at 31 December 2021 is shown which represents the cumulative net investment by RTA in the Company. 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 that have been adopted by the Company. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

Amendments to IFRS 3: References to Conceptual Framework in IFRS Standards;
Amendments to IAS 37: Onerous contracts - Cost of fulfilling a contract;
Amendments to IAS 16: Property, Plant and Equipment- Proceeds before Intended Use;
Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards - subsidiary as a first-time adopter; and
Amendments to IFRS 9: Financial Instruments- fees in the '10 per cent' test for derecognition of financial liabilities.

New standards, interpretations and amendments issued but not yet effective

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

IFRS 17: Insurance contracts;
Amendments to IAS 1: Classification of liabilities as current or non-current;
Amendments to IAS 1: and IFRS Practice Statement 2: Disclosure of accounting policies;
Amendments to IAS 8: Definition of accounting estimates;
Amendments to IAS 12: Deferred tax related to assets and liabilities arising from single transaction; and
Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture

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 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The residual values, useful lives and method of depreciation of assets are reviewed at each financial year-end and adjusted prospectively, if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

Capital work-in-progress is stated at cost and includes items of property and equipment that are being developed for future use. When commissioned, capital work-in-progress is transferred to appropriate category of property and equipment and depreciated in accordance with the Company's policies. These property and equipment are not transferred to the Company but instead are legally owned by RTA. However, as part of the service concession agreement 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.

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.

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.

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Intangibles (continued)

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.

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 amortization of cost. 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 in the profit or loss on a straight-line basis over the life of the concession term.

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

4.5 Financial instruments

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

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

The financial assets and financial liabilities arc 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 are determined on initial recognition. The Company's financial assets consist of trade and other receivables, due from related parties and cash and cash equivalents. The Company' s financial liabilities consist of borrowings, 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 arc 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.

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Financial instruments (continued)

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 carve-out 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.

4.6 Trade and other receivables

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

4.7 Cash and cash equivalents

For the purpose of statement of cashflows, cash and cash equivalents comprise of cash held in bank in the current account and deposits held with bank with original maturities of three months or less.

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 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.

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Trade and other payables

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

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

4.11 Contract liabilities

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

4.12 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 employee's salary and length of service, subject to completion of a minimum service period.

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

(b) *Pension and social security policy*

The 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. Contributions expensed 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 if settlement is due within 12 months otherwise, they are classified as non-current liabilities.

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Borrowings and borrowing costs (continued)

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 consist 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.

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.

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 arc 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.

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 the nature and characteristics.

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 20 that is based on five years recovery data, adjusted for forward-looking factors and the time value of money.

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

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4. SUMMARY OF SIGNIFICANT 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 other comprehensive income.

Write-off

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

4.21 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.

(c) Fines and penalties - Penalties 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 and penalty violations give rise to variable consideration.

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

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 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.

4.23 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.

4.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's 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.

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

5. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

(continued)

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

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

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

b) *Fines and penalties violation dismissals*

Customers have the right to dispute wrongful violations. If the violation has been paid, then the customer is entitled to a refund and if the violation has not yet been paid the violation is dismissed. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal will not occur when the related uncertainty is subsequently resolved. Primarily all wrongful violations are dismissed in the year in which the violation is issued and substantially all dismissals occur with two calendar years of the violation issuance, however based on historical information, management can estimate dismissals which will occur in subsequent years after the violation is issued. In determining the impact of variable consideration, the Company uses the "most-likely amount" method in IFRS 15 whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts. A 1% increase or decrease change in estimated dismissals beyond the year in which the violation is issued would result in approximately AED 756 thousand (2021: AED 707 thousand) change in revenue recognized for the year ended 31 December 2022.

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 statements include allocations for certain expenses historically maintained by RTA or TRA. Such items have been allocated to the Company and included in the 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 405 thousand (2021: AED 1,131 thousand) change in expense allocated to the Company for the year ended 31 December 2022 (Refer to Note 22).

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

5. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

(continued)

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 of number of days between tag activation and tag deactivation, which is approximately five years. However, the actual useful life may be shorter or longer than five years, depending on when 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 1.6 million (2021: AED 1.8 million) as at and for the year ended 31 December 2022. If the average customer useful life was six years, the carrying amount of contract liabilities would increase and revenue recognized would decrease by AED 1.1 million (2021: AED 1.2 million) as at and for the year ended 31 December 2022.

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 It 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.

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

6. REVENUE

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

	2022 AED'000	2021 AED'000
Tolling revenue		
- Toll usage fees	1,651,575	1,466,570
- Tag activation fees*	32,182	35,500
Total tolling revenue	1,683,757	1,502,070
Fines and penalties	201,594	184,294
Inactive balance write-off (Note 26)	5,642	5,369
Miscellaneous	1,313	1,474
	1,892,306	1,693,207

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

7. OTHER INCOME

	2022 AED'000	2021 AED'000
Liabilities no longer payable written back	7,950	-
Recovery of bad debts written off	1,226	-
	9,176	-

8. COST OF TAGS AND RECHARGE CARDS

	2022 AED'000	2021 AED'000
Inventories expensed - Salik tags	19,641	21,374
Inventories expensed - Salik recharge cards	503	392
	20,144	21,766

9. TOLL OPERATION AND MAINTENANCE EXPENSE

	2022 AED'000	2021 AED'000
Operating expenses	64,088	62,626
Maintenance expenses	26,207	23,233
	90,295	85,859

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

9. TOLL OPERATION AND MAINTENANCE EXPENSE (continued)

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

	2022 AED'000	2021 AED'000
Salaries and wages	9,703	8,588
End of service benefits	1,266	637
Other benefits and allowances	988	326
	11,957	9,551

11. DEPRECIATION AND AMORTISATION EXPENSE

	2022 AED'000	2021 AED'000
Depreciation of property and equipment (Note 17)	3,331	6,000
Amortisation of intangibles (Note 15)	40,817	-
	44,148	6,000

12. FINANCE COSTS

	2022 AED'000	2021 AED'000
Finance cost on borrowings	73,035	-
Other finance costs	80	-
	73,115	-

13. SERVICE PROVIDERS COMMISSION

	2022 AED'000	2021 AED'000
Service provider expense		
- Bank commissions	10,384	6,616
- Other Emirates commissions	11,261	10,020
Commission on card sales	9,665	10,545
Commission on tag sales	4,052	3,410
	35,362	30,591

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

14. OTHER EXPENSES

	2022 AED'000	2021 AED'000
Professional fees	8,328	6,248
Transition service expense (Note 22)	2,624	-
Utilities	1,116	810
Others	3,291	2,480
	15,359	9,538

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 (31 December 2021: Nil) to RTA under the service concession agreement between RTA and the Company.

	AED'000
Cost	
At 1 January 2022	-
Additions	4,000,000
At 31 December 2022	**4,000,000**
Accumulated amortisation	
At 1 January 2022	-
Charge for the year (Note 11)	(40,817)
At 31 December 2022	(40,817)
Net carrying amount	
At 31 December 2022	3,959,183

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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") was subject to an upfront concession fee of AED 4,000 million plus VAT of AED 200 million towards RTA ("Grantor") for existing toll gates and an amount as agreed upon as and when new toll gates are constructed.

Additionally, a variable concession fee of 25% of toll 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 2022.

Variable concession fee for the year ended 31 December 2022 amounts to AED 207.56 million (2021: NIL), 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 have the absolute 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 fee 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 the account of increased inflation rates.

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 tolling works 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.

Replacement of 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.

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

17. PROPERTY AND EQUIPMENT

For the year ended 31 December 2022:

	Buildings AED'000	Infrastructure assets AED'000	Tolling equipment AED'000	Office & furniture AED'000	Capital work in progress AED'000	Total AED'000
Cost						
On 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)
On 31 December 2022	-	-	-	150	-	150
Accumulated depreciation						
On 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)
On 31 December 2022	-	-	-	60	-	60
Net carrying amount						
On 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 equipment category.

***This represents 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, not being transferred to Salik Company P.J.S.C. on formation of the legal entity but instead is legally owned by RTA. However, as part of the service concession agreement (refer 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 2022

17. PROPERTY AND EQUIPMENT (continued)

For the year ended 31 December 2021:

	Buildings AED'000	Infrastructure assets AED'000	Tolling equipment AED'000	Office & furniture AED'000	Capital work in progress AED'000	Total AED'000
Cost						
At 1 January 2021	2,438	**128,718**	**49,438**	1,657	26,471	208,722
Additions	-	**-**	**-**	-	1,209	1,209
At 31 December 2021	2,438	128,718	49,438	1,657	27,680	209,931
Accumulated depreciation						
At 1 January 2021	1,050	45,993	47,900	1,651	-	96,594
Depreciation charge for the year (Note 11)	103	5,149	746	2	-	6,000
At 31 December 2021	1,153	51,142	48,646	1,653	-	102,594
Net carrying amount at 31 December 2021	1,285	77,576	792	4	27,680	107,337

18. SOFTWARE ENHANCEMENT EXPENSE

The expenditures 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 was AED 13.7 million for year ended 31 December 2022 and AED 10 million for the year ended 31 December 2021.

19. INVENTORIES

	2022 AED'000	2021 AED'000
Salik tags	5,188	15,966
Salik recharge scratch cards	6,348	78
	11,536	16,044

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.

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

20. TRADE AND OTHER RECEIVABLES

	2022 AED'000	2021 AED'000
Trade receivables (including fines and penalties)	313,410	355,200
Less: loss allowance on fines and penalties	(183,074)	(196,680)
	130,336	158,520
VAT receivable	211,249	-
Advance to supplier	20,808	33,416
Other assets	2,014	-
	364,407	191,936
Break up of trade receivables is as follows:		
Fines and penalties	286,182	292,541
Taxi	7,543	20,807
Telecom	4,592	2,882
Banks	1,962	1,831
Gas stations	12,778	15,105
Other Emirates	353	21,263
Others	-	771
	313,410	355,200

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.

Receivables from fines and penalties 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 and penalties were as follows:

	2022 AED'000	2021 AED'000
Balance at the beginning of the year	196,680	170,401
Provision for expected credit losses for the year	26,614	26,279
Write offs during the year	(40,220)	-
Balance at the end of the year	183,074	196,680

The provision for expected credit losses for the year has been included as "Impairment loss on 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 violations using a provision matrix:

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

20. TRADE AND OTHER RECEIVABLES (continued)

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

31 December 2021	Expected credit loss %	Gross carrying amount AED'000	Loss allowance AED'000
Current	41%	106,132	43,693
1-90 days	60% - 62%	13,026	7,797
91-180 days	64% - 66%	12,392	8,079
181 - 365 days	69% - 79%	32,046	24,542
365+ days	87%	128,945	112,569
Total		292,541	196,680

21. CASH AND CASH EQUIVALENTS

	2022 AED'000	2021 AED'000
Cash at bank	321,758	-
- In current account	500,949	-
- Fixed deposits with maturity of less than three months	822,707	-

Bank balance represent amounts held in current accounts and deposit maintained with Emirates NBD operating in the UAE.

22. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise the Parent, ultimate controlling party, the shareholders, key management personnel, subsidiaries, joint venture 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 Corporation ("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 provide services to related parties. These transactions comprise the purchase and sale of goods and services in the normal course of business at terms determined by the management. Additionally, the Company entered into a Service Concession Agreement with RTA (Note 16), Transitional Services Agreement with RTA and debt agreement with Emirates NDB Bank PJSC (Note 23).

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

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

22. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Due from related parties *Entities under common control of the Government of Dubai*	**2022** **AED'000**	2021 AED'000
Roads and Transport Authority*	**72,240**	-
Dubai E-Government	**66,408**	-
Dubai Taxi Corporation	**5,660**	-
	144,308	-

Due to a related party *Entities under common control of the Government of Dubai*		
Roads and Transport Authority*	**313,492**	-

*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.

Loan from a related party *Entities under common control of the Government of Dubai*	**2022** **AED'000**	2021 AED'000
Emirates NBD PJSC	**3,985,573**	-

During the year, the Company obtained financing facility from a related party, as has been disclosed in Note 23.

Bank balances as disclosed in Note 21 are held with a related party bank.

Transactions with related parties

Commission expense

Transactions with ENBD, other than finance cost on borrowings as explained in Note 23, relates to commission paid for collection services provided by ENBD and amounts to AED 2.3 million for the year ended 31 December 2022 and AED 2.3 million for the year ended 31 December 2021. Transactions, gross of commission earned, with ENOC relate to the sale of Salik tag and recharge cards and amounts to AED 134 million for the year ended 31 December 2022 and AED 144 million the year ended 31 December 2021.

Tolling fees collected by Dubai Taxi Corporation

Dubai Taxi Corporation ("DTC") is a subsidiary of RTA which is ultimately controlled by the Government of Dubai. Tolling fees collected by DTC represents 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 63.5 million for the year ended 31 December 2022 and AED 48.3 million for the year ended 31 December 2021 respectively. 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 RTA on behalf of the Company and will be transferred to the Company in accordance with the terms of agreement with the Company.

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

22. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Corporate costs allocation

The Company had been allocated expenses of AED 40.5 million for the year ended 31 December 2022 and AED 113.1 million for the year ended 31 December 2021 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 ended 31 December 2022, an amount of 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'.

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 commingled 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.

	2022 **AED'000**	2021 AED'000
Cash pooling and general activities	**(415,936)**	(1,222,255)
Receivables from RTA	**(451,296)**	(123,560)
Corporate allocations	**40,521**	113,076
Net decrease in parent company investment ("Net distribution to parent")	**(826,711)**	(1,232,739)

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

22. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Key management and directors' remuneration

	2022 AED'000	2021 AED'000
Salaries and other benefits	1,696	-
End of service benefits	336	-
	2,032	-
Directors' remuneration	60	-

These represent remuneration of the Company's key management employees and directors from the date of formation of the Company until 31 December 2022.

23. BORROWINGS

	2022 AED'000	2021 AED'000
Term loan from Emirates NBD	4,000,000	-
Unamortised loan cost	(14,427)	-
Total borrowing	3,985,573	-
Less: current portion	-	-
Non-current portion	3,985,573	-

On 30 June 2022, the Company and Emirates NBD Bank entered into an agreement to underwrite a 5 year, AED 4,200 million unsecured 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. The purpose of the 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 being 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.

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

23. BORROWINGS (continued)

As at 31 December 2022, the Company has access to the following borrowing facilities:

	2022 AED'000	2021 AED'000
Total available facilities	4,200,000	-
Facility utilised	(4,000,000)	-
Available financing facility	200,000	-

24. PROVISION FOR EMPLOYEES' END-OF-SERVICE BENEFITS

	2022 AED'000	2021 AED'000
Balance at the beginning of the year	2,377	2,114
Charge for the year	988	263
Liability of employees not transferred to the Company on formation	(741)	-
Balance at the end of the year	2,624	2,377

25. TRADE AND OTHER PAYABLES

	2022 AED'000	2021 AED'000
Trade payables - Operation and Maintenance service provider	38,727	-
Fine refund payables	2,871	3,219
Employee benefits	1,629	222
Commission accruals and other payables	16,588	6,233
	59,815	9,674

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.

26. CONTRACT LIABILITIES

As of 31 December 2022, current contract liabilities of AED 294.3 million (31 December 2021: AED 276.6 million), and non-current contract liabilities of AED 43.2 million (31 December 2021: AED 36.7 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.

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

26. CONTRACT LIABILITIES (continued)

As of 31 December 2022, contract liabilities of AED 69.1 million, arising from tag activation fees will be recognized as revenue as follows:

	AED'000
Year ended	
2023	25,859
2024	19,939
2025	15,173
2026	8,083
Total	**69,054**

Movements in contract liabilities during the year is as follows:

	2022 AED'000	2021 AED'000
Balance at the beginning of the year	313,346	289,199
Add: Recharges during the year	1,673,173	1,491,142
Add: Tag activation fees	40,413	35,451
Less: Revenue recognised during the year - tolling fees	(1,651,575)	(1,466,619)
Less: Revenue recognised during the year - tag sales	(32,182)	(30,458)
Less: Inactive balance write-off during the year (Note 6)	(5,642)	(5,369)
Balance at the end of the year	337,533	313,346

27. SHARE CAPITAL

The share capital of the Company comprised of 7,500,000,000 (31 December 2021: 7,500,000,000) shares of AED 0.01 each. All shares are authorised, issued and fully paid up.

28. STATUTORY RESERVE

In accordance with the UAE Federal Decree Law No. (32) of 2021 and Articles of Association of the Company, 10% 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 has allocated AED 37.5 million from current year net profit to statutory reserve.

29. 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 Parent (DoF) and the Net parent investment resulting from the transfer of tolling business of RTA to Salik Company P.J.S.C.

During the year, the movement in Net parent investment includes the impact of property and equipment not transferred to the Company (Note 17), the net distribution to the Parent (Note 22) 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

29. REORGANISATION RESERVE (continued)

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 27) 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, as at 31 December 2022, 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.

As Salik did not comprise a separate legal entity for the year ended 31 December 2021, therefore, paid-up capital or an analysis of reserves or components of other comprehensive income, which is separately identifiable have not been presented in the statement of changes in equity. Net parent investment in the comparative period represents the cumulative net investment by RTA in the Company through that date.

30. EARNINGS PER SHARE

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

	2022	2021
Profit attributable to ordinary equity holders of the Company (AED '000)	1,325,662	1,380,575
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)	0.18	0.18

There were no instruments or any other items which could cause a dilutive effect on the earnings per share calculation.

Salik did not exist as a standalone legal entity in the historical year presented. Therefore, for the purpose of comparative earnings per share we have considered the profit for the prior year attributable to the ordinary equity holders of the Company and the weighted average number of ordinary shares for the current year.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

31.1 Financial risk factors

The Company's activities potentially expose it to a variety or 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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the management under policies approved by the Board of Directors.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

31.1 Financial risk factors (continued)

Market risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings):

	2022	
	Change in basis point	Sensitivity of interest expense AED'000
Financial liabilities	+ 100	(1,768)
	- 100	1,768

As on 31 December 2021, the Company is not exposed to interest rate risk, as it does not have any interest-bearing liabilities or assets.

Price risk

Price risk is the risk that the value or 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 the 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 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 and cash and cash equivalents.

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 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 reconciliation and confirmations. 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.

The Company evaluates the concentration of risk with respect to trade and other receivables as low. The Company is exposed to credit risk primarily on trade receivables arising from fines and penalties. An impairment analysis is performed at each reporting date to measure expected credit losses. The maximum exposure to credit risk at the reporting date is the carrying value of each class of trade and other receivables as disclosed in Note 20.

Salik Company P.J.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

31.1 Financial risk factors (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities. The Company's objective is to maintain a balance between continuity of funding 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 overleaf 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.

		Undiscounted cashflows		
	Carrying amounts	Less than 1 year	Between 2-5 years	Total
	AED'000	AED'000	AED'000	AED'000
As at 31 December 2022				
Borrowings	3,985,573	174,323	4,610,131	4,784,454
Due to a related party (Note 22)	313,492	313,492	-	313,492
Trade and other payables (Note 25)	59,815	59,815	-	59,815
	4,358,880	547,630	4,610,131	5,157,761
As at 31 December 2021				
Trade and other payables (Note 25)	9,674	9,674	-	9,674

31.2 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 (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 2022

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

31.2 Capital risk management (continued)

The gearing ratio as at 31 December 2022 and 31 December 2021 is as below:

	2022 AED'000	2021 AED'000
Borrowings (Note 23)	3,985,573	-
Less: cash and cash equivalents (Note 21)	(822,707)	-
Net debt	3,162,866	-
Net equity	603,914	(10,080)
Total capital	3,766,780	9,674
Gearing ratio	84%	-

The Company is ungeared as at 31 December 2021 as it does not have any borrowings as at 31 December 2021.

31.3 Fair value estimation

The fair values of the Company's financial assets and liabilities as at 31 December 2022 and 2021 approximate their carrying amounts as reflected in Note 32 of these financial statements.

32. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2022 AED'000	2021 AED'000
Financial assets at amortised cost		
Trade and other receivables (excluding VAT receivable and advance to supplier)	132,350	158,520
Due from related parties (Note 22)	144,308	-
Cash and cash equivalents (Note 21)	822,707	-
Total	1,099,365	158,520

	2022 AED'000	2021 AED'000
Financial liabilities at amortised cost		
Long term borrowings (Note 23)	3,985,573	-
Due to a related party (Note 22)	313,492	-
Trade and other payables (Note 25)	59,815	9,674
Total	4,358,880	9,674

33. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

As at 31 December 2022 and 31 December 2021, the Company had outstanding trade receivable balances with gas stations related to the purchases of Salik tag and recharge cards in the amounts of AED 12.8 million and AED 15.1 million respectively. These financial assets are offset by the commission payable by the Company to the gas stations in the amounts of AED 7.5 million and AED 0.8 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 2022

34. 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.

	2022 AED'000	2021 AED'000
Cash and cash equivalents (Note 21)	822,707	-
Borrowings (Note 23)	(3,985,573)	-
Net debt	(3,162,866)	-

	Liability from financing activity (Borrowings) AED'000	Other assets (Cash) AED'000	Total AED'000
Net debt as at 1 January 2022	-	-	-
Cash flows	(3,985,573)	822,707	(3,162,866)
Net debt	(3,162,866)	-	(3,162,866)

35. SUBSEQUENT EVENTS

UAE Corporate Tax

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax regime in the UAE. The Law was previously gazetted on 10 October 2022, becoming law 15 days later. The Corporate Tax regime will become effective for accounting periods beginning on or after 1 June 2023. Generally, UAE businesses will be subject to a 9% corporate tax rate, while a rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,00 based on information released by the Ministry of Finance).

However, there are a number of significant decisions that are yet to be finalised by way of a Cabinet Decision, including the threshold mentioned above, that are critical for entities to determine their tax status and the amount of tax due. Therefore, pending such important decisions by the Cabinet, the Company has determined that the Law was not practically operational as at 31 December 2022, and so not enacted or substantively enacted from the perspective of IAS 12 – Income Taxes. The Company shall continue to monitor the timing of the issuance of these critical Cabinet Decisions to determine its tax status and the applicability of IAS 12 – Income Taxes.

The Company is currently in the process of assessing the possible impact on its financial statements, both from current and deferred tax perspective, once the Law becomes substantively enacted.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. SUBSEQUENT EVENTS (continued)

Dividend

On 6 March 2023, the Board of Directors proposed to distribute AED 491,407,500 dividend to the shareholders (AED 0.065521 per share). The proposed dividend is subject to approval by the shareholders at the Company's General Assembly Meeting in April 2023.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors of Salik Company P.J.S.C. on 6 March 2023 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.

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