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The Shareholders
DXB Entertainments PJSC
Dubai
United Arab Emirates

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of DXB Entertainments PJSC (the "Company") and its subsidiaries (together, the "Group") which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities requirements in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 the matter was addressed
Carrying value of property and equipment and investment property	
The Group has AED 9,409 million of property, and equipment and AED 536 million of investment property as disclosed in note 6 and note 7 respectively. These are the most significant balances in the consolidated statement of financial position of the Group. The evaluation of the recoverable amount of both property and equipment and investment property requires significant estimates in determining the key assumptions supporting the expected future cash flows of the business and the utilization of these assets. This is disclosed in note 4 and note 7 respectively.	Our audit procedures included the assessment of controls over the impairment analysis and calculations. We tested the design, implementation and the operating effectiveness of the relevant controls to determine the reasonableness of the impairment review process. This included testing: • Controls over the accuracy and completeness of the impairment calculation model; and • Governance controls, including reviewing key meetings that form part of reviewing the impairment assessment. In addition, we also performed the following substantive audit procedures: • Engaged our internal valuation specialists to assess the valuation of the assets; • Evaluated whether the models used by management to calculate the value in use for each cash-generating unit complies with IAS 36: impairment of assets. • Obtained and analysed the financial impairment assessments provided by management to determine whether these are reasonable and supportable; • Analysed the discount rates and Weighted Average Cost of Capital (WACC) calculated by management to compare and verify management's calculations. • Challenged the reasonableness of growth rates and other key cash flow assumptions; and • Performed sensitivity analysis around the key assumptions used by management to ascertain the extent of change in those assumptions that either individually or collectively would have an impact on the carrying value of the assets.

Key audit matters (continued)

Key audit matter	How the matter was addressed in our audit
Management's assessment of preparation of the consolidated financial statements on a Going Concern basis	
The consolidated financial statements are prepared on a going concern basis. Dubai Parks and Resorts was opened in a staggered fashion through FY2017 with the last ride open to the public in October 2017. As a result of the staggered opening and in response to certain factors outside of the Group's control, the Group has developed and implemented a new strategic plan, realigning the cost base whilst implementing a revised pricing and annual pass offering to drive domestic and overseas visitation. Whilst the Group was loss making for the year ended 31 December 2017, the consolidated financial statements disclose how the Directors have formed a judgement that there is a reasonable expectation that the going concern basis is appropriate in preparing the consolidated financial statements of the Group. The Directors have concluded that the range of possible outcomes they have considered in arriving at this judgement is not sufficient to give a material uncertainty regarding the Group's ability to continue as a going concern. As this assessment involves consideration of future events there is a risk that the judgement is inappropriate and the uncertainty should have been assessed as material, in which case additional disclosures would have been required.	Our audit procedures included: • Evaluating management's going concern assessment by challenging the key judgements within the Group's forecasts including underlying trading, key assumptions (including visitation, growth rates and discount rates), the impact of the Group transformation program and financial support provided by the majority shareholder; • Examined the Group's funding agreements that are in place; • Performed a downside sensitivity analysis over the Group's headroom assessment in respect of its liquidity and compliance with its bank covenants; and • Considered the adequacy of the Group's disclosures in respect of going concern included with the consolidated financial statements.
Revenue recognition	
The Group's revenue arises from a number of different sources including admission revenue from theme parks, accommodation revenue from its hotel, the sale of food and beverage, rental income from leasing and sponsorship income. In some instances, there are manual processes to match cash payments to redemptions or to transfer data to the finance systems. The low value of individual transactions means individual errors would be insignificant, but difficult to detect, and the high volume of transactions mean systemic failure could lead to errors that aggregate into material balances.	Our audit procedures included: • Testing of the design, implementation and operating effectiveness of manual controls supporting the systems, including reconciliations of till records to revenue journal entries in the accounting records; • Predictive analytical procedures (taking into account factors such as changes in pricing and visitation); • Performing reconciliations of total cash received to revenue recorded; • Confirming the appropriate timing of sales cut-off by checking the specific posting of revenue for days either side of the period end; and • Testing of deferred revenue balances through agreeing back to ticketing system records and checking underlying calculations.

Other information

The Board of Directors and management are responsible for the other information. The other information comprises the annual report of the Group. We obtained the Directors' report prior to the date of this auditor's report, and the remaining information of the annual report is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Other information (continued)

If, based on the work we have performed on the 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 remaining information in the Group'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 the management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation and compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors and Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)
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 are also providing 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, related safeguards.

From the matters communicated with the Group's Audit Committee, we determine those matters that were of most significance in the audit of the consolidated 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.

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Law No. (2) of 2015, we report that:

- we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- the Group has maintained proper books of account;
- the financial information included in the Directors' report is consistent with the Group's books of account;
- note 8 to the consolidated financial statements of the Group discloses its investments in equity instruments during the financial year ended 31 December 2017;
- note 10 to the consolidated financial statements of the Group discloses material related party transactions, the terms under which they were conducted and principles of managing conflict of interests; and
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company's memorandum and its Articles of Association which would materially affect its activities or its financial position as at 31 December 2017.

Deloitte & Touche (M.E.)

Samir Madbak
Registration No. 386
25 March 2018
Dubai
United Arab Emirates

Consolidated Statement of Financial Position
at 31 December 2017

	Notes	2017 AED'000	2016 AED'000
ASSETS			
Property and equipment	6	**9,409,289**	9,465,013
Investment properties	7	**535,643**	633,773
Investment in a joint venture	8	**17,429**	–
Inventories	9	**38,782**	42,056
Due from related parties	10	**34,054**	20,999
Trade and other receivables	11	**142,047**	90,336
Derivative financial instruments	12	**53,953**	37,121
Other financial assets	13	**650,000**	989,527
Cash and bank balances	14	**1,218,758**	1,534,862
Total assets		**12,099,955**	12,813,687
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**7,999,913**	7,999,913
Cash flow hedging reserve	12	**53,953**	37,121
Accumulated losses		**(1,755,250)**	(639,105)
Total equity		**6,298,616**	7,397,929
Liabilities			
Bank facilities	16	**3,947,733**	3,203,645
Trade and other payables	17	**1,606,828**	2,212,113
Due to related parties	10	**1,578**	–
Loan from related parties	10	**245,200**	–
Total liabilities		**5,801,339**	5,415,758
Total equity and liabilities		**12,099,955**	12,813,687

Abdulwahab Al Halabi
Vice Chairman

Mohamed Almulla
Managing Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2017

	Notes	2017 AED'000	2016 AED'000
Revenue	19	**552,041**	75,926
Cost of sales		**(65,267)**	(7,687)
Gross profit		**486,774**	68,239
General, administrative and operating expenses	20	**(1,290,705)**	(408,958)
Marketing and selling expenses		**(118,452)**	(206,179)
Non-operating income – net	21	**22,888**	527
Finance (costs)/income	22	**(216,136)**	61,533
Share of loss of a joint venture	8	**(514)**	–
Loss for the year		**(1,116,145)**	(484,838)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Cash flow hedge – gain on fair value		**16,832**	35,410
Total comprehensive loss for the year		**(1,099,313)**	(449,428)
Loss per share:			
Basic and diluted loss per share (AED)	23	**(0.140)**	(0.067)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2017

	Share capital AED'000	Equity issue reserve AED'000	Cash flow hedging reserve AED'000	Accumulated losses AED'000	Total AED'000
Balance at 1 January 2016	6,321,828	3,736	1,711	(149,257)	6,178,018
Additional issue of shares	1,678,085	–	–	–	1,678,085
Share issue costs	–	–	–	(8,746)	(8,746)
Transfer of equity issue reserve	–	(3,736)	–	3,736	–
Loss for the year	–	–	–	(484,838)	(484,838)
Other comprehensive income for the year	–	–	35,410	–	35,410
Total comprehensive income/(loss) for the year	–	–	35,410	(484,838)	(449,428)
Balance at 31 December 2016	**7,999,913**	**–**	**37,121**	**(639,105)**	**7,397,929**
Loss for the year	**–**	**–**	**–**	**(1,116,145)**	**(1,116,145)**
Other comprehensive income for the year	**–**	**–**	**16,832**	**–**	**16,832**
Total comprehensive income/(loss) for the year	**–**	**–**	**16,832**	**(1,116,145)**	**(1,099,313)**
Balance at 31 December 2017	**7,999,913**	**–**	**53,953**	**(1,755,250)**	**6,298,616**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 December 2017

	2017 AED'000	2016 AED'000
Cash flows from operating activities		
Loss for the year	**(1,116,145)**	(484,838)
Adjustments for:		
Depreciation of property and equipment and investment properties	**477,655**	37,087
Finance cost/(income)	**216,136**	(61,533)
Provision for employees' end of service indemnity	**4,814**	2,631
Share of loss of a joint venture	**514**	–
Loss on disposal of property and equipment	**2,184**	–
Operating cash flows before changes in working capital	**(414,842)**	(506,653)
Increase in trade and other receivables	**(42,623)**	(64,767)
Decrease/(increase) in inventories	**3,274**	(42,056)
Increase in trade and other payables excluding project accruals	**74,452**	468,178
Increase in due from related parties	**(12,326)**	(33,874)
Cash used in operating activities	**(392,065)**	(179,172)
Employees' end-of-service indemnity paid	**(6,275)**	(414)
Net cash used in operations	**(398,340)**	(179,586)
Cash flows from investing activities		
Decrease in other financial assets	**339,527**	1,866,066
Additions to property and equipment, net of project accruals	**(976,749)**	(3,919,063)
Proceeds from sale of property and equipment	**32**	–
Additions to investment properties, net of project accruals	**(8,451)**	(204,423)
Interest received	**42,206**	69,363
Investment in a joint venture	**(17,943)**	–
Net cash used in investing activities	**(621,378)**	(2,188,057)
Cash flows from financing activities		
Proceeds from additional shares issued	**–**	1,678,085
Share issue costs	**–**	(8,746)
Proceeds from bank facilities, net of repayment	**734,860**	1,961,908
Proceeds of loan from related parties	**245,200**	–
Payment for finance costs	**(230,366)**	(190,178)
Payment for finance lease	**(46,080)**	–
Increase in restricted cash	**(17,875)**	(93,077)
Net cash generated by financing activities	**685,739**	3,347,992
Net (decrease)/increase in cash and cash equivalents	**(333,979)**	980,349
Cash and cash equivalents at the beginning of the year	**1,344,113**	363,764
Cash and cash equivalents at the end of the year (Note 14)	**1,010,134**	1,344,113

The accompanying notes form an integral part of these consolidated financial statements.

1. General information

DXB Entertainments PJSC (the "Company") was originally formed as a limited liability company with commercial license number 673692 and was established on 11 July 2012. On 9 December 2014, approval from the Ministry of Economy was obtained and the Company was converted to a Public Joint Stock Company (PJSC) in accordance with UAE Federal Commercial Companies Law No. 8 of 1984, as replaced by UAE Federal Law No. 2 of 2015 ("Companies Law").

The Company is a subsidiary of Meraas Leisure and Entertainment LLC (the "Parent Company") and ultimately owned by Meraas Holding LLC (the "Ultimate Parent Company").

The registered address of the Company is P.O. Box 33772, Dubai, United Arab Emirates ("UAE").

The licensed activities of the Company and its subsidiaries (collectively the "Group") are investment in commercial enterprises and management, real estate development, amusement parks, investment in and management of tourist enterprises and sport and recreational events, tickets e-trading, marketing management, facilities management services and event management.

The consolidated financial statements include the following subsidiaries:

Name of subsidiary	Place of incorporation	Date of incorporation	Percentage of ownership Legal	Percentage of ownership Beneficial	Principal Activity
Motiongate (LLC)	Dubai, UAE	18 March 2013	99%	100%	Theme park development
Mgate Operations (LLC)*	Dubai, UAE	8 April 2013	100%	100%	Amusement park
Dubai Parks Destination Management (LLC)	Dubai, UAE	25 August 2014	99%	100%	Ticket selling/marketing management
Bollywood Parks (LLC)	Dubai, UAE	25 August 2014	99%	100%	Theme park development
Dubai Parks Hotel (LLC)	Dubai, UAE	25 August 2014	99%	100%	Five star hotel
River Park (LLC)	Dubai, UAE	25 August 2014	99%	100%	Leasing & management of self-owned Property
LL Dubai Theme Park (LLC)	Dubai, UAE	7 September 2014	99%	100%	Investment in commercial enterprises & management
LL Dubai Operations (LLC)**	Dubai, UAE	14 October 2014	100%	100%	Amusement park
BWP Operations (LLC)***	Dubai, UAE	25 March 2015	100%	100%	Amusement park
SF Dubai (LLC)	Dubai, UAE	21 May 2015	99%	100%	Amusement park
Do Trips (LLC)****	Dubai, UAE	29 May 2016	100%	100%	Travel agent
DXB Project & Management Services (LLC)	Dubai, UAE	5 April 2016	99%	100%	Project management services

* Subsidiary of Motiongate (LLC)   ** Subsidiary of LL Dubai Theme Park (LLC)   *** Subsidiary of Bollywood Parks (LLC)
**** Subsidiary of Dubai Parks Destination Management (LLC)

2. Application of new and revised International Financial Reporting Standards ("IFRSs")

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to IAS 7 Statement of *Cash Flows* that require a company to provide disclosures that enable users of the consolidated financial statements to evaluate changes in liabilities arising from financing activities.

IAS 7: Statement of Cash Flow

The Group has applied IAS 7 amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's liabilities arising from financing activities consist of a loan from related parties, obligations under a finance lease and bank facilities. A reconciliation between the opening and closing balances of these items is provided in Note 16. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and revised IFRSs in issue but not yet effective and not early adopted

The Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRS	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 *First-time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures (2011).*	1 January 2018
IFRIC 22 *Foreign Currency Transactions and Advance Consideration* The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	1 January 2018
Amendments to IFRS 2 Share-Based Payment regarding classification and measurement of share based payment transactions.	1 January 2018
Amendments to IFRS 4 Insurance Contracts: Relating to the different effective dates of IFRS 9 Financial Instruments and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 *Investment Property:* Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014) IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ' fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments:* Recognition and Measurement. The standard contains requirements in the following areas: • Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. • Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised • Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures • Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.	1 January 2018

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

Impact assessment of IFRS 9 Financial Instruments

Based on an analysis of the Group's consolidated financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the management of the Group have assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

Classification and measurement:

All financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment:

Financial assets measured at amortised cost will be subject to the impairment provisions of IFRS 9. The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as required and permitted by IFRS 9.

New and revised IFRS	Effective for annual periods beginning on or after
IFRS 16 Leases: IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019
Amendments to IFRS 9 Financial Instruments: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	1 January 2019
Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
IFRS 17 Insurance Contracts requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.	1 January 2021
IFRS 7 Financial Instruments: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.
Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.	1 January 2019

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 9 and IFRS 16 will be adopted in the Group's consolidated financial statements for the annual periods beginning 1 January 2018 and 1 January 2019 respectively.

3. Significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) including International Financial Reporting Interpretation Committee (IFRIC) interpretations and applicable requirements of the laws in the UAE.

Basis of preparation

The consolidated financial statements of the Group have been prepared on the historical cost basis except for derivative financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The consolidated financial statements of the Group are presented in Arab Emirates Dirham (AED) and all values are rounded to the nearest thousand Dirhams, except when otherwise indicated. The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

Going concern

The consolidated financial statements of the Group have been prepared on a going concern basis, which assumes that the Group will be able to meet its liabilities for a period at least 12 months from the date of signing of the consolidated financial statements. During the current year the Group has incurred a net loss of AED 1,116 million (2016: AED 485 million) and had outstanding bank borrowings of AED 4,158 million (2016 AED 3,423 million) as at that date. The following areas have been considered by management in determining the appropriateness of the going concern basis of preparation in the consolidated financial statements:

(i) During the year ended 31 December 2017, the Group secured an AED 700 million subordinated shareholder loan ("SSL") facility from its majority shareholder of which AED 245 million was drawn down in September 2017. The SSL was and will be utilised for the purposes of funding working capital and debt service.

(ii) The Group's detailed strategic business plan approved by the Board of Directors ('Board'), including the impact of the debt realignment (described below) and majority shareholder support; and

(iii) Subsequent to the year end the Group has realigned its syndicated facility with its financiers resulting in a 3 year moratorium on principal repayments and covenant testing and a realignment of remaining payments in line with the Board approved strategic business plan (Note 29).

(iv) Subsequent to the year end the Group reached agreement with its Ultimate Parent Company and Parent Company to issue in its favour an AED 1,200 million convertible instrument, subject to shareholder approval. Under the agreement the existing SSL of AED 700 million will be incorporated into the convertible instrument (Note 29).

Based on these factors management's opinion is that no asset is likely to be realised for an amount less than the amount at which it is recorded in the consolidated financial statements as at 31 December 2017. Accordingly, no adjustments have been made to the consolidated financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its Subsidiaries) up to 31 December each year. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its powers to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. Significant accounting policies (continued)

Joint Venture

Interests in joint ventures are accounted for using the equity method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. The profit or loss of the Group includes its share of the profit or loss of the investee and the other comprehensive income of the investor includes its share of other comprehensive income of the investee.

Revenue recognition

The Group recognises revenue, based on the five-step model as set out in IFRS 15:

Step 1 - Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

Step 2 - Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.

Step 3 - Determine the transaction price: Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.

Step 4 - Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 - Recognise revenue as and when the Group satisfies a performance obligation.

The Group recognises revenue when one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance obligation completed to date.

The Group allocates the transaction price to the performance obligations in a contract based on the input method which requires revenue recognition on the basis of the Group's efforts or inputs to the satisfaction of the performance obligations.

When the Group satisfies a performance obligation by delivering the promised goods and services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable, taking into account the contractually agreed terms of payment excluding taxes and duties. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or an agent and has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue is recognised in the consolidated financial statements to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if and when applicable, can be measured reliably.

Revenue arises from the operation of visitor attractions and theme park resorts. Revenue represents the amounts received from customers for admission tickets, accommodation, food and beverage sales, merchandising, retail and rental income and sponsorship.

Admission revenue

Admission revenue related to theme park ticket sales is recognized when the tickets are used. Revenues from annual passes are recognized over a period of one year from the date of first use.

Accommodation revenue

Accommodation revenue is recognised when the rooms are occupied net of applicable discounts and municipality fees.

Sale of food and beverage and merchandise

Sale of food and beverage and merchandise is recognised when goods are sold.

3. Significant accounting policies (continued)

Revenue recognition (continued)

Lease rental income

Lease rental income from operating leases is recognised over a period of one lease year. When the Group provides operating lease incentives to its customers, the aggregate cost of incentives is recognised as a reduction of rental income over that lease year.

Sponsorship income

Sponsorship income is recognised on a straight-line basis over the term of the contract

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investment property

Investment properties comprise properties held to earn rentals (including properties under construction for such purposes). Investment properties are measured initially at cost, including related transaction costs, less accumulated depreciation and any accumulated impairment losses. No depreciation is charged on land and investment properties under construction.

Depreciation is charged so as to write-off the cost of investment property, other than capital work-in-progress, less their estimated residual value, on a straight-line basis over the expected useful lives of the assets, as follows:

	Years
Land	No depreciation
Building, infrastructure and other equipment	3 – 50

Expenditure incurred to replace a component of an item of investment properties that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of investment properties. All other expenditure is recognised in the consolidated statement of profit or loss and other comprehensive income as the expense is incurred.

Investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in the consolidated statement of profit or loss and other comprehensive income in the year in which the property is derecognised.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by the ending of owner-occupation for a transfer from owner occupied property or commencement of an operating lease to another party for a transfer from inventories. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner-occupation for a transfer to owner occupied property or commencement of development with a view to sale for a transfer to inventories. Such transfers are made at the carrying value of the properties at the date of transfer.

Property and equipment

Property and equipment comprise of land, building and infrastructure, vehicles, IT and other equipment, furniture and fixtures, rides and attractions and capital work-in-progress.

All items of property and equipment are initially recorded at cost. Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for capital work-in-progress. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Borrowing costs that are directly attributable to acquisition, construction or production of an asset are included in the cost of that asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. All other repairs and maintenance are charged to consolidated statement of profit or loss and other comprehensive income when incurred.

3. Significant accounting policies (continued)

Property and equipment (continued)

Depreciation is charged so as to write-off the cost of property and equipment, other than capital work-in-progress, less their estimated residual value, on a straight-line basis over the expected useful lives of the assets, as follows:

	Years
Land	No depreciation
Building and infrastructure	5 – 50
IT and other equipment	3 – 15
Rides and attractions	5 – 20
Furniture and fixtures	3 – 20
Vehicles	3 – 4

Assets held under finance leases are depreciated over their expected useful live on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of lease terms, assets are depreciated over shorter of the lease term and their useful lives. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis. 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.

Capital work-in-progress

Capital work-in-progress includes properties that are being constructed or developed for future use. Cost includes pre-development infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are capitalised during the year when activities that are necessary to make the assets ready for their intended use are in progress. These properties are classified as capital work-in-progress until construction or development is completed. Direct costs from the start of the project up to completion of the project are capitalised. No depreciation is charged on capital work-in-progress.

Classification of properties

Management determines at the time of acquisition or construction of the property, whether the property should be classified as investment property or property and equipment. The Group classifies a property as investment property when the intention is to hold the property for rental, capital appreciation or for undetermined use. The Group classifies a property as property and equipment when the intention is to use the property for its operations.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the year in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as a lessor

The Group has entered into operating leases with respect to its investment properties. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all significant risk and rewards of these properties and accounts for the leases as operating leases. Rental income from operating leases is recognised over a period of one lease year as management considers this to be more representative of the flow of economic benefits to the Group. When the Group provides operating lease incentives to its customers, the aggregate cost of incentives is recognised as a reduction of rental income over that lease year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. Significant accounting policies (continued)

Derivative financial instruments

The Group has entered into interest-rate swaps derivatives. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the consolidated statement of profit or loss and other comprehensive income. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative.

Hedge accounting

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in consolidated statement of profit or loss and other comprehensive income within other gains/(losses).

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in the consolidated statement of profit or loss and other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in consolidated statement of profit or loss and other comprehensive income.

Impairment of tangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated statement of profit or loss and other comprehensive income.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so long as the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in consolidated statement of profit or loss and other comprehensive income.

Foreign currency transactions

The consolidated financial statements of the Group are presented in the currency of the primary economic environment in which the Group operates (its functional currency). The consolidated financial statements are presented in Arab Emirates Dirhams which is the Group's functional and presentational currency.

In preparing the consolidated financial statements, transactions in currencies other than the Group's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At the reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. Significant accounting policies (continued)

Foreign currency transactions (continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss and other comprehensive income for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of profit or loss and other comprehensive income for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

Financial instruments

Financial assets and financial liabilities are recognized on the Group's statement of financial position when the Group becomes 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 and 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 are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments (HTM), 'available-for-sale' (AFS) financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All financial assets of the Group are categorized under 'loans and receivables'.

Loans and receivables

Loans and receivables including cash and bank balances, other financial assets, trade and other receivables (excluding prepayments and advances) and due from related parties that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or where appropriate a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of a provision account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in consolidated statement of profit or loss and other comprehensive income.

For financial assets measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through consolidated statement of profit or loss and other comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity, is recognised in consolidated statement of profit or loss and other comprehensive income.

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities including trade and other payables, bank facilities, due to related parties and loan from related parties are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in consolidated statement of profit or loss and other comprehensive income.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the inception 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 and 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 and amortised over the period of the facility to which it relates.

Borrowing/finance costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Group are 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.

Classification of LL Dubai Hotel LLC as a joint venture

LL Dubai Hotel LLC is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. The Group owns 60% of the joint venture, however, the Group along with its joint venture partner have joint control of the arrangement and have rights to the net assets of the joint venture. Accordingly, LL Dubai Hotel LLC is classified as a joint venture of the Group (Note 8).

Impairment of assets

Asset recoverability is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the higher of, the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate, and the assets' fair value less costs to sell. Management has assessed that the lowest cash generating units for the purposes of impairment testing are "Theme Parks" and "Retail and hospitality".

For the purposes of determining whether an impairment has occurred the key assumptions management uses in calculating risk adjusted future cash flows for value-in-use measures are future tourism projections and related capture rates, expected pricing adjustments, revenue margins and overall cost margins. These assumptions form the basis of the Group's ten-year strategic business plan. As with all assumptions these are the judgements of management based on available data and information as at the time of preparation and are subject to change based on economic and trading conditions.

For impairment testing purposes, the respective carrying amount was compared with the value-in-use. The nominal pre-tax discount rate applied was 9.66% and cash flow projections reflect long-term growth rates that were assumed to be equal to the expected inflation rates in the UAE.

Following management's assessment, the recoverable amount is assessed to be in excess of the carrying amount as at 31 December 2017 and accordingly no impairment is required.

Estimated useful lives of property and equipment and investment properties

The asset's residual values and useful lives are reviewed at the reporting date and adjusted if appropriate, taking into account technological developments. Uniform depreciation rates are established based on the straight-line method which may not represent the actual usage of the assets. 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.

Fair value measurements and valuation processes

The Group's selected assets and liabilities are measured at fair value for financial reporting purposes. The Group determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities as disclosed in note 7 and 12.

5. Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses. The Group currently determines and presents financial information as a single operating segment based on the information that is provided internally to management for decision making.

6. Property and equipment

	Land AED'000	Building and infrastructure AED'000	IT and other equipment AED'000	Rides and attractions AED'000	Furniture and fixture AED'000	Vehicles AED'000	Capital work-in-progress AED'000	Total AED'000
Cost								
As at 1 January 2016	716,443	14,057	7,745	–	5,975	5,332	3,906,594	4,656,146
Additions during the year	–	85	19,278	867	5,117	400	4,443,763	4,469,510
Transfers from a related party	390,000	–	638	–	–	–	82,380	473,018
Reclassification	–	5,963,673	1,064,743	1,033,618	85,492	–	(8,147,526)	–
Transfer from/(to) Investment properties	62,130	–	–	–	–	–	(158,483)	(96,353)
As at 31 December 2016	1,168,573	5,977,815	1,092,404	1,034,485	96,584	5,732	126,728	9,502,321
Additions during the year	–	–	28,743	3,121	1,111	5,338	287,704	326,017
Disposal	–	–	(43)	–	–	(4,422)	–	(4,465)
Transfer from Investment properties	9,337	63,741	6,162	–	–	–	–	79,240
As at 31 December 2017	**1,177,910**	**6,041,556**	**1,127,266**	**1,037,606**	**97,695**	**6,648**	**414,432**	**9,903,113**
Accumulated depreciation								
As at 1 January 2016	–	702	1,374	–	1,191	684	–	3,951
Charge for the year	–	10,207	16,896	2,735	2,017	1,502	–	33,357
As at 31 December 2016	–	10,909	18,270	2,735	3,208	2,186	–	37,308
Charge for the year	–	221,179	147,549	71,790	15,318	2,430	–	458,266
Disposal	–	–	(43)	–	–	(2,206)	–	(2,249)
Transfer from Investment properties	–	357	142	–	–	–	–	499
As at 31 December 2017	**–**	**232,445**	**165,918**	**74,525**	**18,526**	**2,410**	**–**	**493,824**
Carrying amount								
At 31 December 2017	**1,177,910**	**5,809,111**	**961,348**	**963,081**	**79,169**	**4,238**	**414,432**	**9,409,289**
At 31 December 2016	1,168,573	5,966,906	1,074,134	1,031,750	93,376	3,546	126,728	9,465,013

a) Additions made during 2016 includes purchases made from a related party.

b) Finance costs capitalised under capital work in progress amounted to AED 145 million. The Group ceased capitalisation of finance costs from the beginning of 2017 as the assets were available for use.

c) IT and other equipment includes certain right-of-use-assets held under finance lease [Note 24 (c)]

7. Investment properties

	Land AED'000	Building, infrastructure and other equipment AED'000	Capital work-in-progress AED'000	Total AED'000
Cost				
As at 1 January 2016	179,795	–	103,549	283,344
Additions during the year	–	–	257,806	257,806
Reclassification	–	361,355	(361,355)	-
Transfers from/(to) Property and Equipment	(62,130)	158,483	–	96,353
As at 31 December 2016	117,665	519,838	–	637,503
Transfers to Property and Equipment	(9,337)	(69,903)	–	(79,240)
As at 31 December 2017	**108,328**	**449,935**	**–**	**558,263**
Accumulated depreciation				
As at 1 January 2016	–	–	–	–
Charge for the year	–	3,730	–	3,730
As at 31 December 2016	–	3,730	–	3,730
Charge for the year	–	19,389	–	19,389
Transfers to Property and Equipment	–	(499)	–	(499)
As at 31 December 2017	**–**	**22,620**	**–**	**22,620**
Carrying amount				
At 31 December 2017	**108,328**	**427,315**	**–**	**535,643**
At 31 December 2016	117,665	516,108	–	633,773

The Group carries its investment properties at cost less accumulated depreciation and impairment losses under the cost model in accordance with IAS 16, 'property, plant and equipment'. At each reporting date, the Group evaluates the fair values of its investment properties.

Fair value

IAS 40 requires separate disclosure of the fair values of investment property when the cost model is used. The Group engages professionally qualified external valuers every year to determine the fair values for disclosure purposes. The fair value has been performed by qualified external valuers using the Income Capitalisation method.

Valuation technique underlying management's estimation of fair value

The 'income capitalisation method' involves the capitalisation of the net rent receivable, which provides a current and potential future net income stream, in perpetuity at an appropriate investment yield. The valuation was performed in accordance with RICS Appraisals and Valuation Standards as adapted for Dubai and UAE Law and Regulations, and is reflective of the economic conditions prevailing as at the reporting date.

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy of the Group's portfolios of investment property are:

- Rent growth per annum (incorporated with yield)
- Estimated long term occupancy rate (95%)
- True Equivalent Yield (9.75%) and void rate (5%)

The fair value of the investment property was AED 624 million as at 31 December 2017 based on the valuation conducted by the independent external valuer. There were no changes to the valuation techniques during the year.

8. Investment in a joint venture

During 2017, the Group subscribed for share capital in LL Dubai Hotel LLC ('Legoland hotel'). Information about the joint venture and the nature of the investment is shown below:

Name	Nature of Business	Country of Incorporation	% Interest held	Measurement method
LL Dubai Hotel LLC	Leisure and Hospitality	United Arab Emirates	60%	Equity

	2017 AED'000	2016 AED'000
As at 1 January	–	–
Additions during the period	17,943	–
Share of loss	(514)	–
	17,429	–

9. Inventories

	2017 AED'000	2016 AED'000
Merchandise	28,219	32,965
Other operating inventory	10,563	9,091
	38,782	42,056

10. Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24 Related Party Disclosures. Related parties comprise companies and entities under common ownership and/or common management and control, and key management personnel.

At the reporting date, related party balances are as follows:

	2017 AED'000	2016 AED'000
Due from related parties		
Due from Parent company	28,570	20,999
Due from a Joint venture	5,114	–
Due from subsidiary of Parent company	370	–
	34,054	20,999

	2017 AED'000	2016 AED'000
Due to related parties		
Due to joint ventures of Parent company	1,578	–

a) The Group enters into related party transactions on an arm's length basis and in the ordinary course of business.

b) Due from Parent Company amounting to AED 29 million (31 December 2016: AED 21 million) mainly represents amounts receivable for project management services performed on behalf of the Parent Company and an allocation of common costs allocated to an operation of the Ultimate Parent Company.

10. Related party transactions (continued)

	2017 AED'000	2016 AED'000
Loan from related parties		
Loan from Ultimate Parent Company	**2,452**	–
Loan from Parent Company	**242,748**	–
	245,200	–

On 28 November 2017, the Group secured an AED 700 million subordinated shareholder loan ("SSL") facility from its Ultimate Parent Company and Parent Company of which AED 245 million was drawn down in September 2017. It is intended that the SSL will be utilised for the purposes of funding working capital and debt service. The SSL and related interest are subordinated to the Group's existing term loans and thereafter are payable on demand subject to certain provisions of the existing term loan agreement. Interest is charged at a fixed rate of 8% per annum.

c) The key management remuneration during the year was as follows:

	2017 AED'000	2016 AED'000
Key management personnel		
Short term benefits	**12,246**	13,530
Long term benefits	**303**	363
	12,549	13,893

11. Trade and other receivables

	2017 AED'000	2016 2016
Trade receivables	**25,501**	4,007
Advances to contractors	**43,524**	33,152
Prepayments and other receivables	**72,433**	52,588
Interest receivable	**589**	589
	142,047	90,336

12. Derivative financial instruments

	31 December 2017	
	Positive fair value AED'000	Notional Amount AED'000
Interest rate swaps	**53,953**	**2,997,812**

	31 December 2016	
	Positive fair value AED'000	Notional amount AED'000
Interest rate swaps	37,121	2,199,236

The Group entered into interest rate swaps ('IRS') for the loan draw down denominated in USD which was designated as a hedging instrument. These IRS are categorised as level 3, as one or more of the significant inputs is not based on observable market data.

13. Other financial assets

Other financial assets include margin deposits amounting to AED Nil (31 December 2016: AED 23 million) held by banks under lien against credit facilities issued to the Group and fixed deposits amounting to AED 650 million (2016: AED 966 million) held by banks with maturity periods of more than three months from the reporting date. The fixed deposits earned interest rates ranging 2% to 3% (31 December 2016: 1% to 3%) per annum.

14. Cash and bank balances

	2017 AED'000	2016 AED'000
Cash on hand	**3,387**	3,809
Cash at bank	**1,215,371**	1,531,053
	1,218,758	1,534,862
Less: Restricted cash	**(208,624)**	(190,749)
Cash and cash equivalents	**1,010,134**	1,344,113

Cash at bank includes call accounts that earn interest up to 1% (31 December 2016: 1%) per annum. The short-term deposits held by banks with maturity periods less than three months earn average interest at rates ranging from 2% to 3% (31 December 2016: 2% to 3%) per annum. Restricted cash includes reserves held to service debt as per the requirement of the term loans.

15. Share capital

	2017 AED'000	2016 AED'000
Authorised capital 12,643,655,416 shares of AED 1 each (31 December 2016: 12,643,655,416 shares of AED 1 each)	**12,643,655**	12,643,655
Issued and fully paid-up 7,999,912,670 shares of AED 1 each (31 December 2016: 7,999,912,670 shares of AED 1 each)	**7,999,913**	7,999,913

16. Bank facilities

	2017 AED'000	2016 AED'000
Term loans	**4,158,026**	3,423,166
Gross borrowing costs	**271,516**	257,093
Less: Cumulative amortisation *	**(61,223)**	(37,572)
Un-amortised borrowing costs	**210,293**	219,521
Carrying amount net of un-amortised borrowing costs	**3,947,733**	3,203,645

* Amortised borrowing costs during the year includes AED Nil (31 December 2016: AED 14 million) capitalised within capital work in progress.

	2017 AED'000	2016 AED'000
Later than 1 year and not longer than 2 years	**230,220**	140,375
Later than 2 years and not longer than 5 years	**1,269,312**	1,029,881
Later than 5 years	**2,518,120**	2,192,869
Amounts due for settlement after 12 months	**4,017,652**	3,363,125
Amounts due for settlement within 12 months	**140,374**	60,041
	4,158,026	3,423,166

16. Bank facilities

Term loan

a) The Group has available bank facilities of AED 5.2 billion (31 December 2016: AED 5.2 billion) in the form of term loans of which AED 4.2 billion was utilised as at 31 December 2017 (31 December 2016: AED 3.4 billion).

b) The term loan in respect of the Phase I development of AED 4.2 billion is repayable in quarterly instalments which commenced on 30 September 2017 and has a maturity date of 30 June 2026. The AED 1 billion term loan in respect of Phase II is repayable in quarterly instalments commencing in 2019 and maturing in 2027. The utilised portion of the term loans carry interest at LIBOR + 3.5% and EIBOR + 3.15% per annum respectively (31 December 2016: LIBOR + 3.5% and EIBOR + 3.15% per annum).

c) The syndicated facilities are secured by a range of mortgages over property owned by the Group, security over bank accounts, assignments of certain contracts, certain rights to receivables and intra-group loans and pledges over certain bank accounts and deposits.

d) During the year the Group received an irrevocable temporary waiver from its financing syndicate with regards to its financial covenant testing due in December 2017.

Letters of credit

As at 31 December 2017, the Group has facilities in relation to letters of credit amounting to AED 228 million (31 December 2016: AED 173 million) and outstanding letters of credit at the reporting date amounting to AED 1 million (31 December 2016: AED 48 million). The letters of credit are secured by way of:

- A pledge over Wakala deposits; and
- Assignment of existing cash flows from a project of a related party

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	1 January 2017 AED'000	Financing cash flows AED'000	Non-cash changes AED'000	31 December 2017 AED'000
Loan from related parties	–	245,200	–	245,200
Bank borrowing	3,423,166	734,860	–	4,158,026
Obligation under finance lease	343,334	(46,080)	5,992	303,246
Total liabilities from financing activities	3,766,500	933,980	5,992	4,706,472

17. Trade and other payables

	2017 AED'000	2016 AED'000
Trade payables	218,908	94,679
Accrued expenses	517,607	1,207,755
Retentions payable	378,607	383,209
Obligations under finance lease	303,246	343,334
Rental and other advances	31,890	43,962
Deferred revenue	45,296	22,505
Employees' end of service indemnity [Note 18]	5,280	5,579
Other liabilities	105,994	111,090
	1,606,828	2,212,113

a) Included in accrued expenses are costs incurred on capital work-in-progress amounting to AED 0.3 billion (31 December 2016: AED 1 billion) but have not yet been certified as at the reporting date.

b) Retentions payable represent amounts withheld in accordance with contractual terms when progress payments are made to the contractors. Retentions payable are settled based on contractual terms.

c) Provision for employees' end-of-service indemnity is made in accordance with the UAE labour law, and is based on current remuneration and cumulative years of service at the reporting date.

18. Provision for employees' end of service indemnity

	2017 AED'000	2016 AED'000
Balance at the beginning of the year	**5,579**	1,987
Charge for the year *	**6,825**	4,006
Transfer to a related party	**(849)**	–
Amounts paid during the year	**(6,275)**	(414)
Balance at the end of the year	**5,280**	5,579

* Charge for the year includes AED 2.0 million (2016: 1.4 million) capitalised as additions to property and equipment.

19. Revenue

	2017 AED'000	2016 AED'000
Admission revenue	**237,344**	40,921
Accommodation revenue	**43,114**	–
Sale of food and beverage	**75,768**	10,175
Sale of merchandise	**52,130**	10,010
Lease revenue	**28,687**	4,065
Sponsorship	**64,304**	4,121
Project management	**21,574**	3,433
Other	**29,120**	3,201
	552,041	75,926

20. General, administrative and operating expenses

	2017 AED'000	2016 AED'000
Salaries and other employee expenses*	**391,017**	246,071
Depreciation (Note 6 & 7)	**477,655**	37,087
Utility charges	**102,030**	8,409
Supplies, communication and IT expenses	**70,795**	21,756
Repairs and maintenance	**60,518**	13,103
Management and royalty fees	**57,715**	16,557
Rent expense	**43,584**	21,336
Travel expense	**20,759**	5,314
Security expenses	**17,201**	3,155
Directors' fee	**3,356**	3,700
Other	**46,075**	32,470
	1,290,705	408,958

* Pension contributions for U.A.E. citizens are made by the Group in accordance with Federal Law No. 7 of 1999.

21. Non-operating income – net

	2017 AED'000	2016 AED'000
Employee related accrual reversals	1,850	–
Reimbursement of rebates	6,278	–
Release of deferred liability	20,307	–
Other non-operating (expenses)/income	(5,547)	527
	22,888	527

22. Finance (costs)/income

	2017 AED'000	2016 AED'000
Finance costs		
Interest on loan	(210,839)	–
Interest on finance lease	(21,353)	–
Amortization of borrowing cost	(26,150)	(7,797)
	(258,342)	(7,797)
Finance income		
Interest on deposits	42,206	69,330
	(216,136)	61,533

23. Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the number of ordinary shares in issue during the year.

	2017	2016
Loss attributable to equity holders of the Company (in AED'000)	(1,116,145)	(484,838)
Weighted average number of shares (in '000)		
Outstanding at 1 January 2017	7,282,704	6,321,828
Issue of new shares – weighted average	717,209	960,876
Outstanding at 31 December 2017	7,999,913	7,282,704
Basic loss per share (in AED)	(0.140)	(0.067)

24. Commitments and contingent liabilities

(a) Commitments

Contracted-for commitments of acquisition of services primarily related to development and construction of assets classified under property and equipment and investment properties amounted to AED 0.7 billion as at 31 December 2017 (2016: AED 0.6 billion).

(b) Operating lease rentals

	2017 AED'000	2016 AED'000
Not later than 1 year	40,000	40,000
Later than 1 year and not longer than 5 years	15,000	57,000
	55,000	97,000

24. Commitments and contingent liabilities (continued)

(c) Finance lease rentals – Group as a lessee

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Not later than 1 year	**61,440**	61,440	**18,683**	21,353	**42,757**	40,087
Later than 1 year and not longer than 5 years	**245,760**	245,760	**44,294**	56,873	**201,466**	188,887
Later than 5 years	**61,440**	122,880	**2,417**	8,520	**59,023**	114,360
	368,640	430,080	**65,394**	86,746	**303,246**	343,334

(d) Operating lease rentals – Group as a Lessor

	2017 AED'000	2016 AED'000
Not later than 1 year	**32,584**	67,730
Later than 1 year and not longer than 5 years	**65,647**	103,480
	98,231	171,210

25. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3.

(b) Categories of financial instruments

	2017 AED'000	2016 AED'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,928,902**	2,549,984
Derivative financial instrument- at fair value	**53,953**	37,121
	1,982,855	2,587,105
Financial liabilities		
At amortised cost	**5,841,282**	5,458,735

(c) Fair value of financial instruments

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.

Fair value of financial instruments measured at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

Valuation of financial instruments recorded at fair value is based on quoted market prices and other valuation techniques.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on the present value calculation of the expected future cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

25. Financial instruments (continued)

(c) Fair value of financial instruments (continued)

The financial instruments are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at the year end, the carrying value of the financial assets and financial liabilities approximates to their fair values.

26. Financial risk management

The Group's financial risk management policies set out the Group's overall business strategy and risk management philosophy. The Group's overall financial risk management program seeks to minimize potential adverse effects to the financial performance of the Group. Management carries out overall financial risk management covering specific areas, such as market risk (including foreign exchange risk and interest rate risk), credit risk, and liquidity risk and investing excess cash.

The Group's activities in future periods will expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates.

The Group does not hold or issue derivative financial instruments for speculative purposes.

(a) Interest rate risk management

The Group's exposure to interest rate risk relates to its bank facilities, bank call accounts and other financial assets. The bank call accounts and other financial assets carry a fixed rate of interest up to 1% – 3% per annum.

The Group's exposure to interest rate risk relates primarily to its term loans. Term loans bear interest at LIBOR + 3.5% and EIBOR + 3.15% per annum for the USD and AED tranches respectively (2016: LIBOR + 3.5% and EIBOR + 3.15% per annum) (Note 16).

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 20% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates.

If interest rates had been 20% higher/lower and all other variables were held constant, the Group's interest cost for the year ended 31 December 2017 would decrease/increase by AED 10 million (2016: AED 4 million) This is attributable to the Group's exposure to interest rates on its variable rate term loans.

(b) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The credit risk on liquid funds is limited because the counterparties are banks registered in the U.A.E.

(c) Foreign currency risk management

At the reporting date, there were no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams (AED) or United States Dollars (USD) to which the AED is fixed.

(d) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with management who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding. The Group manages liquidity risk by maintaining adequate reserves, and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

26. Financial risk management (continued)

(d) Liquidity risk management (continued)

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the expected maturity and the earliest date on which the Group is expected to receive for financial assets and to pay for financial liabilities. The table includes principal cash flows only.

Liquidity risk tables

	Weighted average Interest rate %	Less than 1 year AED'000	More than 1 year AED'000	Total AED'000
Financial assets				
2017				
Non-interest bearing financial assets	**–**	**256,155**	**–**	**256,155**
Fixed interest bearing financial assets	**2.12**	**1,672,747**	**–**	**1,672,747**
Derivative financial instrument	**1.65**	**–**	**53,953**	**53,953**
		1,928,902	**53,953**	**1,982,855**
2016				
Non-interest bearing financial assets	–	220,153	–	220,153
Fixed interest bearing financial assets	2	2,329,831	–	2,329,831
Derivative financial instrument	1.53	–	37,121	37,121
		2,549,984	37,121	2,587,105

	Weighted average Interest rate %	Less than 1 year AED'000	More than 1 year AED'000	Total AED'000
Financial liabilities				
2017				
Variable Interest bearing financial liabilities	**3.5-8**	**183,132**	**4,523,341**	**4,706,473**
Non-interest bearing financial liabilities	**–**	**1,134,809**	**–**	**1,134,809**
		1,317,941	**4,523,341**	**5,841,282**
2016				
Variable Interest bearing financial liabilities	3.75	60,041	3,363,125	3,423,166
Non-interest bearing financial liabilities	–	2,035,569	–	2,035,569
		2,095,610	3,363,125	5,458,735

27.Capital management

The capital structure of the Group consists of cash and cash equivalents, equity attributable to equity holders of the Company and bank borrowings. The Group's objective when managing capital is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business; to provide returns for shareholders; and to optimise the capital structure to reduce the cost of capital.

To enable the Group to meet its objective, management monitor capital through constant review of the Group's capital investment programme and through regular budgeting and planning processes.

28. Reclassification

Certain comparative figures have been reclassified to improve the quality of information previously presented. The reclassification does not have any effect on the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows.

29. Subsequent events

Debt realignment

Subsequent to the year end the Group received consent from its Phase I syndicated term loan financiers for a 3-year moratorium on principal repayments and covenant testing with no change to interest rate. In addition, remaining principal repayments were re-aligned to the Group's ten-year business plan, the effect of which is detailed in the table below.

	2017 AED'000	2016 AED'000
Later than 1 year and not longer than 2 years	–	140,375
Later than 2 years and not longer than 5 years	464,975	1,029,881
Later than 5 years	3,693,051	2,192,869
Amounts due for settlement after 12 months	4,158,026	3,363,125
Amounts due for settlement within 12 months	–	60,041
	4,158,026	3,423,166

Issuance of convertible instrument

Subsequent to the year end the Group reached agreement with its Ultimate Parent Company and Parent Company to issue in its favour an AED 1,200 million convertible instrument, subject to shareholder approval. Under the agreement the existing SSL of AED 700 million will be incorporated into the convertible instrument.

30. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and signed for issuance on 25 March 2018.

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