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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 2018, 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 2018, 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.

### Emphasis of matter

We draw attention to note 3 (Going concern) to the consolidated financial statements, as the Group's accumulated losses exceed half of its issued share capital therefore in accordance with Article 302 of UAE Federal Law No. 2 of 2015, the Board of Directors intend to convene a General Assembly within 30 days of the issuance of these consolidated financial statements to vote on a resolution for the continuation of the Company.

Our opinion is not modified in respect of this matter.

### 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 8,087 million of property and equipment and AED 512 million of investment properties as disclosed in note 6 and note 7 respectively. These assets cumulatively are the most significant balances in the consolidated statement of financial position of the Group. | Our audit procedures included the assessment of controls over the impairment analysis and calculations.<br><br>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:<br>• Controls over the accuracy and completeness of the impairment calculation model; and<br>• Governance controls, including reviewing key meetings that form part of reviewing the impairment assessment. |

**Key audit matters** continued

| Key audit matter | How the matter was addressed |
|---|---|
| **Carrying value of property and equipment and investment property** continued | |
| 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 which are disclosed in notes 4, 5, 6 and 7 of these consolidated financial statements. | In addition, we also performed the following substantive audit procedures:<br>• Engaged our internal valuation specialists to assess the valuation of the assets;<br>• Evaluated whether the models used by management to calculate the recoverable amount for each cash-generating unit complies with IAS 36 impairment of assets;<br>• Obtained and analysed the underlying assumptions provided by management to determine whether these are reasonable and supportable;<br>• Analysed the discount rates and/or Weighted Average Cost of Capital (WACC);<br>• Challenged the reasonableness of growth rates and other key cash flow assumptions;<br>• 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; and<br>• In relation to the Group's investment properties, we confirmed that the approach used in the external valuation were consistent with RICS Valuation – Professional standards. We have also assessed the valuer's competence and capabilities and read their terms of engagement with the Group. |
| **Impact of Six Flags Dubai Project not proceeding at this time** | |
| As disclosed in note 5, during the year, the syndicated finance facility amounting to AED 1 billion intended for utilization as part of the development of the Six Flags branded theme park is no longer available, and the Six Flags Dubai Project cannot proceed in its current form at this time.<br><br>Based on the above, management has made an assessment of the assets recognised and the associated committed costs and identified those assets that can be retained and used for future use. Accordingly, an impairment loss of AED 443 million, provision for other liabilities of AED 70 million and a write-off of prepaid borrowing costs of AED 38 million has been recorded in the books as per the best available information available to management. | Our audit procedures included:<br>• Evaluated management's assessment of the impairment loss recognised and adequacy of provision recorded in the books for future commitments in relation to the project; and<br>• Considered the adequacy of the Group's disclosures in respect of this significant event included within the consolidated financial statements. |

**Key audit matters** continued

| Key audit matter | How the matter was addressed |
|---|---|
| **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 as disclosed in note 3.<br><br>The Group continues to incur operational losses in the initial years of its operation and has accumulated losses exceeding 50% of its issued share capital and has significant bank borrowings, the principal repayments of which will commence in 2021.<br><br>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. | Our audit procedures included:<br>• Evaluating management's going concern assessment by challenging the key judgements within the Group's forecasts including underlying trading results and key assumptions relating to visitation, growth rates and occupancy;<br>• Examined the Group's funding agreements that are in place;<br>• Performed a downside sensitivity analysis over the Group's headroom assessment in respect of its liquidity; and<br>• Considered the adequacy of the Group's disclosures in respect of going concern included in 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.<br><br>In certain instances, there are manual processes to match cash payments to redemptions or to transfer data to the finance systems.<br><br>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:<br>• Testing of the design, implementation and operating effectiveness of manual controls supporting the systems, including reconciliations of the records to revenue journal entries in the accounting records;<br>• Predictive analytical procedures (taking into account factors such as changes in pricing and visitation);<br>• Performing reconciliations of total cash received to revenue recorded;<br>• Confirming the appropriate timing of sales cut-off by checking the specific posting of revenue for days either side of the period end; and<br>• 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.

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 IFRS 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 controls 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 controls.
- 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.

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 controls 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.

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

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;
- The Group has not purchased or invested in shares during the year ended 31 December 2018;
- 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
- as detailed in note 3, the accumulated losses of the Group as at 31 December 2018 exceeded 50% of the issued share capital of the Group and therefore in accordance with article 302 of UAE Federal Law no. 2 of 2015, the Board of Directors intend to convene a general assembly within 30 days of the issuance of these consolidated financial statements to vote on a resolution for the continuation of the Company.

Except for the information in the preceding paragraph, 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 2018, 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 2018.

Deloitte & Touche (M.E.)

**Akbar Ahmad**
Registration No. 1141
27 March 2019
Dubai, United Arab Emirates

## Consolidated statement of financial position

at 31 December 2018

| | Notes | 2018 AED'000 | 2017 AED'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Property and equipment | 6 | **8,087,357** | 9,409,289 |
| Investment properties | 7 | **511,908** | 535,643 |
| Investment in a joint venture | 8 | **53,668** | 17,429 |
| Inventories | 9 | **23,242** | 38,782 |
| Due from related parties | 10 | **19,982** | 34,054 |
| Trade and other receivables | 11 | **158,813** | 142,047 |
| Derivative financial instruments | 12 | **71,165** | 53,953 |
| Other financial assets | 13 | **–** | 650,000 |
| Cash and bank balances | 14 | **1,782,610** | 1,218,758 |
| **Total assets** | | **10,708,745** | 12,099,955 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 15 | **7,999,913** | 7,999,913 |
| Convertible bond – equity component | 16 | **65,717** | – |
| Cash flow hedging reserve | 12 | **71,165** | 53,953 |
| Accumulated losses | | **(4,312,151)** | (1,755,250) |
| **Total equity** | | **3,824,644** | 6,298,616 |
| **Liabilities** | | | |
| Bank facilities | 17 | **3,940,804** | 3,947,733 |
| Trade and other payables | 18 | **1,751,967** | 1,606,828 |
| Convertible bond – liability component | 16 | **1,189,930** | – |
| Due to related parties | 10 | **1,400** | 1,578 |
| Loan from related parties | 10 | **–** | 245,200 |
| **Total liabilities** | | **6,884,101** | 5,801,339 |
| **Total equity and liabilities** | | **10,708,745** | 12,099,955 |

**Abdul Wahab Al-Halabi**
Chairman

**Mohamed Almulla**
Chief Executive Officer and
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 2018

| | Notes | 2018 AED'000 | 2017 AED'000 |
|---|---|---|---|
| Revenue | 20 | **540,471** | 552,041 |
| Cost of sales | | **(72,672)** | (71,575) |
| **Gross profit** | | **467,799** | 480,466 |
| General, administrative and operating expenses | 21 | **(1,102,256)** | (1,284,397) |
| Marketing and selling expenses | | **(99,250)** | (118,452) |
| Impairment losses and other related charges | 5 | **(1,541,738)** | – |
| Finance costs – net | 22 | **(317,517)** | (216,136) |
| Non-operating income – net | 23 | **50,142** | 22,888 |
| Share of loss of a joint venture | 8 | **(209)** | (514) |
| **Loss for the year** | | **(2,543,029)** | (1,116,145) |
| Other comprehensive income | | | |
| *Item that may be reclassified subsequently to profit or loss* | | | |
| Cash flow hedge – gain on fair value | | **17,212** | 16,832 |
| **Total comprehensive loss for the year** | | **(2,525,817)** | (1,099,313) |
| **Loss per share:** | | | |
| Basic and diluted loss per share (AED) | 24 | **(0.318)** | (0.140) |

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

## Consolidated statement of changes in equity

for the year ended 31 December 2018

| | Share Capital AED'000 | Convertible bond – equity component AED'000 | Cash flow hedging reserve AED'000 | Accumulated losses AED'000 | Total AED'000 |
|---|---|---|---|---|---|
| **As at 1 January 2017** | 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) |
| *As at 31 December 2017* | 7,999,913 | – | 53,953 | (1,755,250) | 6,298,616 |
| *Impact on adoption of IFRS 16* | – | – | – | (13,872) | (13,872) |
| As at 1 January 2018 (restated) | 7,999,913 | – | 53,953 | (1,769,122) | 6,284,744 |
| Convertible bond – equity component | – | 65,717 | – | – | 65,717 |
| Loss for the year | – | – | – | (2,543,029) | (2,543,029) |
| Other comprehensive income for the year | – | – | 17,212 | – | 17,212 |
| *Total comprehensive income/(loss) for the year* | – | – | 17,212 | (2,543,029) | (2,525,817) |
| **As at 31 December 2018** | **7,999,913** | **65,717** | **71,165** | **(4,312,151)** | **3,824,644** |

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

## Consolidated statement of cash flows

for the year ended 31 December 2018

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the year | **(2,543,029)** | (1,116,145) |
| Adjustments for: | | |
| Depreciation of property and equipment and investment properties | **473,362** | 477,655 |
| Impairment losses and other related charges | **1,541,738** | – |
| Finance costs – net | **317,517** | 216,136 |
| Gain on transfer of land to a joint venture | **(17,034)** | – |
| Provision for doubtful debts | **11,408** | – |
| Provision for slow-moving inventory | **3,293** | – |
| Provision for employees' end-of-service indemnity | **3,855** | 4,814 |
| Share of loss of a joint venture | **209** | 514 |
| (Gain)/loss on disposal of property and equipment | **(144)** | 2,184 |
| **Operating cash flows before changes in working capital** | **(208,825)** | (414,842) |
| Increase in trade and other receivables | **(69,533)** | (42,623) |
| Decrease in inventories | **12,247** | 3,274 |
| Decrease/(increase) in due from related parties | **13,894** | (12,326) |
| (Decrease)/increase in trade and other payables, excluding project accruals and retentions payable | **(4,302)** | 79,054 |
| **Net cash used in operations** | **(256,519)** | (387,463) |
| Employees' end-of-service indemnity paid | **(2,070)** | (6,275) |
| **Net cash used in operating activities** | **(258,589)** | (393,738) |
| **Cash flows from investing activities** | | |
| Decrease in other financial assets | **650,000** | 339,527 |
| Property and equipment, net of project accruals and retentions payable | **(456,326)** | (981,629) |
| Interest received | **28,235** | 42,206 |
| Investment properties, net of project accruals and retentions payable | **(15,851)** | (8,173) |
| Proceeds from disposal of property and equipment | **359** | 32 |
| Investment in a joint venture | **–** | (17,943) |
| **Net cash generated by/(used in) investing activities** | **206,417** | (625,980) |
| **Cash flows from financing activities** | | |
| Proceeds from convertible bond issued | **804,800** | – |
| Payment for finance costs | **(272,530)** | (230,366) |
| Proceeds of loan from related parties | **150,000** | 245,200 |
| Decrease/(increase) in restricted cash | **39,015** | (17,875) |
| Payment for leases | **(66,246)** | (46,080) |
| Proceeds from bank facilities, net of repayment | **–** | 734,860 |
| **Net cash generated by financing activities** | **655,039** | 685,739 |
| **Net increase/(decrease) in cash and cash equivalents** | **602,867** | (333,979) |
| Cash and cash equivalents at the beginning of the year (Note 14) | **1,010,134** | 1,344,113 |
| **Cash and cash equivalents at the end of the year (Note 14)** | **1,613,001** | 1,010,134 |
| **Non-cash transaction:** | | |
| Transfer of land to a joint venture | **36,448** | – |

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 incorporated 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 | | Principal activity |
|---|---|---|---|---|---|
| | | | Legal | Beneficial | |
| 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% | Theme park development |
| 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% | Theme park development |
| 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 material effect on the consolidated financial statements

In the current year, the Group has early adopted IFRS 16 Leases ('IFRS 16') (as issued by the IASB in January 2016) and the related consequential amendments to other IFRSs in advance of their effective dates. IFRS 16 introduces new or amended requirements for the definition of a lease, lessee accounting and lessor accounting (in particular increased disclosure requirements). The date of initial application of IFRS 16 for the Group is 1 January 2018.

Under IFRS 16, the lessee and lessor accounting models are asymmetrical. While the IASB has retained the existing distinction between finance and operating leases for lessors, this is no longer relevant for lessees. In general, all leases within the scope of IFRS 16 are required to be reported on the consolidated statement of financial position by lessees, recognising a "right-of-use" asset and a related lease liability at commencement of the lease.

IAS 17 focused on identifying 'de facto' debt financed purchases. When a lease was determined to be economically similar to purchasing the asset being leased, the lease was classified as a finance lease (i.e. transfer of substantially all the risks and rewards incidental to ownership of an asset to the lessee) and reported on a company's statement of financial position (i.e. they were 'on-balance-sheet leases'). All other leases were classified as operating leases and not reported in the statement of financial position (i.e. they were 'off-balance-sheet leases'). Applying IAS 17, off-balance-sheet leases were accounted for similarly to service contracts, with the company reporting a rental expense (typically on a straight-line basis) in each period of the lease.

The Group applied the modified retrospective approach permitted under IFRS 16, which requires the recognition of the cumulative effect of initially applying the standard, to the retained earnings and not restate prior years. When doing so, the Group also made use of the practical expedient to not recognise a right-of-use asset or a lease liability for leases for which the lease term ends within 12 months.

#### Impact on accounting – Group as a lessor

IFRS 16 does not change substantially how a lessor accounts for leases in its financial statements. Accordingly, a lessor will continue to classify leases as either finance leases or operating leases applying IFRS 16, and account for those two types of leases differently. IFRS 16 has however changed and expanded the disclosures required for lessors, in particular regarding managing the risks arising from its residual interest in the leased assets.

The Group has analysed the impact of IFRS 16 and concluded there is no material impact on the consolidated financial statements.

#### Impact on accounting – Group as a lessee

IFRS 16 changes how the Group accounts for leases that were off-balance sheet when applying IAS 17, other than short-term leases (leases of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), where the Group continues to recognise lease expense as incurred.

Applying IFRS 16 in essence for all leases, the Group is required to:

(a) Recognise 'right-of-use' assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of unavoidable future lease payments;

(b) recognise depreciation of 'right-of-use' assets and interest on lease liabilities in the statement of profit or loss over the lease term; and

(c) separate the total amount of cash paid into a principal portion and interest (presented within financing activities) in the consolidated statement of cashflows.

The Group recognises a right-of-use asset and a corresponding lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

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

### 2.1 New and revised IFRSs applied with material effect on the consolidated financial statements continued

Impact on adoption of IFRS 16

The table below shows the impact for each consolidated financial statement line item affected by the application of IFRS 16 as at 1 January 2018:

| | As previously reported AED'000 | IFRS 16 adjustments AED'000 | As restated AED'000 |
|---|---|---|---|
| Property and equipment | 9,409,289 | 244,079 | 9,653,368 |
| **Total assets** | **12,099,955** | **244,079** | **12,344,034** |
| Trade and other payables | 1,606,828 | 257,951 | 1,864,779 |
| Total liabilities | 5,801,339 | 257,951 | 6,059,290 |
| Accumulated losses | (1,755,250) | (13,872) | (1,769,122) |
| **Total equity and liabilities** | **12,099,955** | **244,079** | **12,344,034** |

### 2.2 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 2018, have been adopted in these consolidated financial statements:

- Annual Improvements to IFRS Standards 2014-2016 Cycle amending IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 28 *Investment in Associates and Joint Ventures*.
- 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.
- Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share-based payment transactions.
- 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 in 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.
- Amendments to IFRS 7 *Financial Instruments*: Disclosures relating the initial application of IFRS 9 *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 *Financial Instruments*.
- IFRS 9 *Financial Instruments* ('IFRS 9') replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"), bringing together all aspects of the accounting for financial instruments: Classification and measurement, impairment and hedge accounting.

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

  Impairment: The adoption of IFRS 9 requires the Group to account for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking Expected Credit Loss ("ECL") approach.

  Financial assets measured at amortised cost, such as trade and other receivables and deposits are subject to the impairment provisions of IFRS 9. IFRS 9 requires the Group to record a provision for ECLs.

  ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

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

### 2.2 New and revised IFRSs applied with no material effect on the consolidated financial statements continued

- *IFRS 9 Financial Instruments* continued

  For trade and other receivables, the Group applies the standard's simplified approach and calculates ECLs based on lifetime expected credit losses.

  For other financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the provision will be based on the lifetime ECL.

  Management believes that the application of the ECL model of IFRS 9 will not result in earlier recognition of credit losses.

  Hedge accounting: The Group applied hedge accounting prospectively. At the date of the initial application, all the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Group has continued to designate the change in fair value of the entire interest rate swap in the Group's cash flow hedge relationships and, as such, the adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the consolidated financial statements.

### 2.3 New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| IFRIC 23 *Uncertainty over Income Tax Treatments*<br>The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:<br>• Whether tax treatments should be considered collectively;<br>• Assumptions for taxation authorities' examinations;<br>• The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and<br>• The effect of changes in facts and circumstances. | 1 January 2019 |
| 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 |
| 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 |
| Amendments to References to the Conceptual Framework in IFRS Standards amending IFRS 2 *Share-based payments,* IFRS 3 *Business Combinations,* IFRS 6 *Exploration for and Evaluation of Mineral Resources*, IFRS 14 *Regulatory Deferral Accounts,* IAS 1 *Presentation of Financial Statements,* IAS 8 *Accounting Policies, Changes in Accounting Estimates,* IAS 34 *Interim Financial Reporting,* IAS 37 *Provisions, Contingent Liabilities and Contingent Assets,* IAS 38 *Intangible Assets,* IFRIC 12 *Service Concession Arrangements,* IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments,* IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine,* IFRIC 22 *Foreign Currency Transactions and Advance Considerations,* and SIC-32 *Intangible Assets.* | 1 January 2020 |
| IFRS 17 Insurance Contracts: IFRS 17 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 |

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

### 2.3 New and revised IFRSs in issue but not yet effective continued

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| 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. |

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 in the period of initial application.

## 3. Summary of significant accounting policies

### Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards 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 2,543 million (2017: AED 1,116 million), had negative operating cashflows of AED 259 million (2017: AED 394 million) and outstanding bank borrowings of AED 4,158 million (2017: AED 4,158 million) as at the year-end date. As the losses of the Group exceed half of its issued share capital, in accordance with article 302 of UAE Federal Law no. 2 of 2015, the Board of Directors intend to convene a General Assembly within 30 days of the issuance of these consolidated financial statements to vote on a resolution for the continuation of the Company.

In determining the appropriateness of the going concern basis of preparation in these consolidated financial statements, management has considered the following:

- Availability of cash and resultant utilisation associated with the issuance of the convertible bonds (refer to note 16);
- Utilisation of residual cash from the Phase I development stage of Dubai Parks and Resorts and negotiation of long-term payment plans for remaining development commitments; and
- Current 12-month cash flow projections across a range of scenarios.

In making its assessment, management has determined the following key mitigating factors to manage long term business risks:

- Full year impact of savings from optimisation of the Group's cost base; and
- Increased international tourist market penetration and growth in number of available hotel rooms at Dubai Parks and Resorts.

## 3. Summary of significant accounting policies continued

### Going concern continued

Based on these factors, management's opinion is that except for as described in note 5, no additional 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 2018. 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 except for those already contained in these consolidated financial statements.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (including its subsidiaries). 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 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 in 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.

### Property and equipment

Property and equipment comprises land, building and infrastructure, vehicles, IT and other equipment, furniture and fixtures, rides and attractions, right-of-use assets 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.

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 – 40 |
| IT and other equipment | 3 – 25 |
| Rides and attractions | 5 – 40 |
| Furniture and fixtures | 3 – 25 |
| Vehicles | 3 – 4 |
| Right-of-use asset | 30 |

## 3. Summary of significant accounting policies continued

**Property and equipment** continued

Assets held under leases are depreciated over their expected useful life on the same basis as owned assets. 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 projects 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 projects are classified as capital work-in-progress until construction or development is completed. Direct costs from the start of the project up to completion 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.

**Investment property**

Investment property comprises 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 | 5-40 |

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 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.

## 3. Summary of significant accounting policies continued

### Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets are impaired. 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 the consolidated statement of profit or loss and other comprehensive income.

### Investments in a joint venture

A joint venture is a joint arrangement whereby parties have joint control and rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control for an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An investment in a joint venture is accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income in the joint venture.

Profits and losses resulting from transactions between the Group and its joint venture are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in these entities.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average basis. Net realisable value is the estimated selling price for inventories less estimated costs of completion and cost necessary to make the sale. Write-down of inventories to net realisable value is recognised in the consolidated statement of profit or loss and other comprehensive income.

### Financial instruments

Financial assets and financial liabilities are recognised on the Group's consolidated 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'.

## 3. Summary of significant accounting policies continued

### Financial instruments continued

#### Financial assets continued

*Loans and receivables*

Loans and receivables includes 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. 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 recognised 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.

*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.

### 3. Summary of significant accounting policies continued

**Financial instruments** continued

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 derecognised and the consideration paid or payable is recognised in consolidated statement of profit or loss and other comprehensive income.

**Derivative financial instruments**
The Group has entered into interest-rate swap 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 date. 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 the consolidated statement of profit or loss and other comprehensive income.

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 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 the consolidated statement of profit or loss and other comprehensive income.

## 3. Summary of significant accounting policies continued

### 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 take a substantial period of time to complete.

### Convertible bond

The convertible bond is denominated in AED and is classified as a compound financial instrument that can be converted to ordinary shares at the option of the holder. The convertible bond is separated into liability and equity components based on the terms of the bond.

At issuance, the fair value of the liability component is determined by discounting the future cash flows pertaining to the coupon payments using the estimated market interest rate. The residual balance is allocated to the equity component and recognised separately under equity.

Subsequent to initial recognition, the liability component of the compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured until maturity.

On conversion at maturity, the liability and equity components are reclassified to equity at the par value of ordinary shares issued under the share capital and any surplus recognised under equity.

Interest related to the financial liability is recognised in the consolidated statement of profit or loss and other comprehensive income. Transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

### 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 recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

### Leases

Leases are classified as finance or operating leases only if the Group is the lessor. Whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee, the contract is classified as a lease. All other leases are classified as operating leases. If the Group acts as lessee all contracts are recognised in the consolidated financial statements in accordance with the lessee's guidance in IFRS 16.

#### The group as a lessor

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.

## 3. Summary of significant accounting policies continued

**Leases** continued

### The group as lessee

The Group recognises right-of-use assets under lease agreements in which it is a lessee. The underlying assets mainly include property and equipment. The right-of-use assets comprise the initial measurement of the corresponding lease liability and payments made at or before the commencement day as well as any initial direct costs. Furthermore, lease incentives are recognised separately and amortised during the lease term. The corresponding lease liability is included in the consolidated statement of financial position as a lease liability.

The right-of-use asset will be depreciated over the lease-term and if necessary impaired in accordance with applicable standards. The Group did neither make any adjustments for re-measurement of the lease liability nor for the right-of-use asset. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (application of the effective interest method) and by reducing the carrying amount to reflect the lease payments made. No modification or reassessments of the lease liability have been made as at the reporting date.

**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 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 represents the amounts received from customers for admission tickets, accommodation, food and beverage sales, merchandising, retail and rental income and sponsorship.

## 3. Summary of significant accounting policies continued

### Revenue recognition continued

#### Admission revenue
Admission revenue related to theme park ticket sales is recognised when the tickets are used. Revenues from annual passes are recognised 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.

#### 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.

### 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 AED 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.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the 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 gain, and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

### 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.

## 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, management 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.

## 4. Critical accounting judgements and key sources of estimation uncertainty continued

### 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).

### Fair value measurements and valuation processes

Certain of the Group's 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 are disclosed in notes 7 and 12.

### Estimated useful lives of property and equipment and investment properties

Asset 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.

### 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 value-in-use i.e. 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 use in calculating risk adjusted future cash flows for value-in-use measurement 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 updated 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.

To determine the recoverable amount for investment properties included under the "Retail and Hospitality" cash generating unit, the fair value of investment property under the capitalisation of income method has been utilised. This involves the capitalisation of the net rent receivable, which provides a current and potential future net income stream and includes measures such as rental occupancy, growth rate and yield rates.

Refer note 5 for further details of Group's impairment assessment.

## 5. Material profit or loss items

The Group has identified items which are material due to the significance of their nature and amount. These are listed separately to provide a better understanding of the financial performance of the Group.

| | **2018 AED'000** | 2017 AED'000 |
|---|---|---|
| Impairment losses and other related charges on the Six Flags Dubai Project (a) | **551,018** | – |
| Impairment losses on the Phase I development (b) | **990,720** | – |
| | **1,541,738** | – |

### (a) Impairment losses and other related charges on the Six Flags Dubai Project

In August 2018, the Board of Directors mandated a strategic review of its future development plans and capital deployment, including the development of Six Flags Dubai.

## 5 Material profit or loss items continued

### (a) Impairment losses and other related charges on the Six Flags Dubai Project continued

In the intervening period, actions, including formal notification by Six Flags, resulted in funders' concerns being raised specifically in relation to the revised projections for the Six Flags Dubai Project. As a result, the syndicated bank facility intended for utilisation as part of the development of the Six Flags branded theme park is no longer available, and the Six Flags Dubai Project cannot proceed in its current form at this time.

Accordingly, and based on the above management has reviewed assets recognised on the balance sheet and associated committed costs and identified those assets that are specific to the project and those that may be retained and used for future development opportunities, existing theme park enhancement or potential sale.

Based on this review, management has identified assets and related commitments and contingencies that are specific to the project and may not have enduring value. Accordingly an impairment loss of AED 443 million, provision for other liabilities of AED 70 million and a write-off of prepaid borrowing costs of AED 38 million has been recognised in the consolidated financial statements.

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Impairment losses on property and equipment | **442,578** | – |
| Provision for other liabilities | **70,324** | – |
| Write-off of prepaid borrowing costs | **38,116** | – |
| | **551,018** | – |

### (b) Impairment losses on the Phase 1 development

Whilst management believe it is early to assess the overall valuation of a market leading asset that is by nature a long-term commercial proposition, the delay in the ramp up of international visitation has resulted in a temporary reduction in related realisable asset values. Accordingly, during the year, the Group recorded a non-cash impairment charge of AED 991 million in respect of the Phase I development of its primary asset, Dubai Parks and Resorts.

The recoverable amounts of these Phase 1 development assets were determined using the value in use methodology. The impairment assessment was performed using cash flow projections based on the business plan prepared by management covering a 10-year period, which were then extrapolated using the estimated terminal value.

Key assumptions used in the value in use calculation are as follows:

| | 2018 | 2017 |
|---|---|---|
| Long-term growth rate | **3.0%** | 3.0% |
| Discount rate | **9.5%** | 9.7% |

Based on the impairment assessment carried out by management (excluding specific impairment for Six Flags Dubai Project), the recoverable amount is assessed to be lower than the carrying amount and accordingly an impairment loss has been recorded in the Group's consolidated financial statements.

As at 31 December 2018, if the discount rate used was 0.2% higher, with all other variables held constant, the impairment loss would increase by AED 334 million, if the discount rate used was 0.2% lower, with all other variables held constant, the impairment loss would reduce by AED 260 million.

As at 31 December 2018, if the long-term growth rate used was 0.2% lower, with all other variables held constant, the impairment loss would increase by AED 179 million, if the long-term growth rate used was 0.2% higher, with all other variables held constant, the impairment loss would reduce by AED 191 million.

The Group recorded no impairment for its investment property. The recoverable amounts of these properties were determined based on the higher of value in use or fair value less cost to sell. Estimates of fair value on these properties have been determined by independent professional valuers based on the income approach as detailed in note 7.

## 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 fixtures AED'000 | Vehicles AED'000 | Right-of-use asset AED'000 | Capital work-in-progress AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| As at 1 January 2017 | 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 |
| Disposals | – | – | (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 |
| *Impact on adoption of IFRS 16* | – | – | – | – | – | – | 252,496 | – | 252,496 |
| As at 1 January 2018 (restated) | 1,177,910 | 6,041,556 | 1,127,266 | 1,037,606 | 97,695 | 6,648 | 252,496 | 414,432 | 10,155,609 |
| Additions during the year | – | 475 | 6,038 | 4,562 | 3,655 | 2,888 | – | 318,925 | 336,543 |
| Transfer to a joint venture | (19,414) | – | – | – | – | – | – | – | (19,414) |
| Transfer from/(to) investment properties | – | 6,342 | (4,600) | – | 1,536 | – | – | – | 3,278 |
| Disposals | – | – | – | – | – | (795) | – | – | (795) |
| Reclassification | – | (44,727) | 31,862 | 17,442 | 15,334 | (3,880) | – | (16,031) | – |
| **As at 31 December 2018** | **1,158,496** | **6,003,646** | **1,160,566** | **1,059,610** | **118,220** | **4,861** | **252,496** | **717,326** | **10,475,221** |
| **Accumulated depreciation and impairment** | | | | | | | | | |
| As at 1 January 2017 | – | 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 |
| Disposals | – | – | (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 |
| *Impact on adoption of IFRS 16* | – | – | – | – | – | – | 8,417 | – | 8,417 |
| As at 1 January 2018 (restated) | – | 232,445 | 165,918 | 74,525 | 18,526 | 2,410 | 8,417 | – | 502,241 |
| Charge for the year | – | 223,261 | 159,055 | 47,071 | 13,777 | 1,165 | 8,417 | – | 452,746 |
| Impairment loss (Note 5) | 75,799 | 697,877 | 95,390 | 82,257 | 14,389 | 191 | 24,817 | 442,578 | 1,433,298 |
| Transfer from/(to) investment properties | – | 79 | (418) | – | 498 | – | – | – | 159 |
| Disposals | – | – | – | – | – | (580) | – | – | (580) |
| **As at 31 December 2018** | **75,799** | **1,153,662** | **419,945** | **203,853** | **47,190** | **3,186** | **41,651** | **442,578** | **2,387,864** |
| **Carrying amount At 31 December 2018** | **1,082,697** | **4,849,984** | **740,621** | **855,757** | **71,030** | **1,675** | **210,845** | **274,748** | **8,087,357** |
| At 31 December 2017 | 1,177,910 | 5,809,111 | 961,348 | 963,081 | 79,169 | 4,238 | – | 414,432 | 9,409,289 |

### 7. Investment properties

| | Land AED'000 | Building, infrastructure and other equipment AED'000 | Total AED'000 |
|---|---|---|---|
| **Cost** | | | |
| As at 1 January 2017 | 117,665 | 519,838 | 637,503 |
| Transfer to property and equipment | (9,337) | (69,903) | (79,240) |
| As at 31 December 2017 | 108,328 | 449,935 | 558,263 |
| Transfer to property and equipment | – | (3,278) | (3,278) |
| **As at 31 December 2018** | **108,328** | **446,657** | **554,985** |
| **Accumulated depreciation** | | | |
| As at 1 January 2017 | – | 3,730 | 3,730 |
| Charge for the year | – | 19,389 | 19,389 |
| Transfer to property and equipment | – | (499) | (499) |
| As at 31 December 2017 | – | 22,620 | 22,620 |
| Charge for the year | – | 20,616 | 20,616 |
| Transfer to property and equipment | – | (159) | (159) |
| **As at 31 December 2018** | **–** | **43,077** | **43,077** |
| **Carrying amount At 31 December 2018** | **108,328** | **403,580** | **511,908** |
| At 31 December 2017 | 108,328 | 427,315 | 535,643 |

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 within yield)
- Estimated long term occupancy rate (92%)
- True Equivalent Yield (9.5%) and void rate (8%)

The fair value of the investment property was AED 657 million as at 31 December 2018 (2017: AED 624 million) 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. Details of the investment are as follows:

| Name | Nature of business | Country of incorporation | % Interest held | Measurement method |
|---|---|---|---|---|
| LL Dubai Hotel LLC | Leisure and Hospitality | United Arab Emirates | 60% | Equity |

**Movement in investment in a joint venture**

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| As at 1 January | **17,429** | – |
| Transfer of land to the joint venture [Note 10] | **36,448** | – |
| Share of losses during the year | **(209)** | (514) |
| Cash investment in the joint venture | **–** | 17,943 |
| As at 31 December | **53,668** | 17,429 |

## 9. Inventories

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Merchandise and other operating inventory | **26,535** | 38,782 |
| Provision for slow-moving inventory | **(3,293)** | – |
| | **23,242** | 38,782 |
| *Movement in provision for slow-moving inventory* | | |
| As at 1 January | **–** | – |
| Provision made during the year | **3,293** | – |
| As at 31 December | **3,293** | – |

## 10. Related party balances and transactions

Related parties comprise companies and entities under common ownership and/or common management and control, and key management personnel as defined in International Accounting Standard 24 *Related Party Disclosures.*

The following balances are outstanding as at the reporting date:

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| **Due from related parties** | | |
| Due from Parent company | **12,920** | 28,570 |
| Due from a joint venture | **7,005** | 5,114 |
| Due from subsidiaries of Parent company | **57** | 370 |
| | **19,982** | 34,054 |
| **Due to related parties** | | |
| Due to joint ventures of Parent company | **1,400** | 1,578 |

(a) The Group enters into related party transactions on an arm's length basis and in the ordinary course of business. Amounts due from/to related parties do not bear any interest. Certain outstanding balances have no agreed repayment terms, accordingly, they are considered receivable/payable on demand and classified as current assets/liabilities.

### 10. Related party balances and transactions continued

(b) Due from Parent Company amounting to AED 13 million (31 December 2017: AED 29 million) relates to a receivable for project management services performed by the Group.

(c) During the year ended 31 December 2018, the Group transferred land to its investment in the joint venture at a fair value of AED 62 million.

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| **Loan from related parties** | | |
| Loan from Ultimate Parent Company | – | 2,452 |
| Loan from Parent Company | – | 242,748 |
| | – | 245,200 |

(i) During 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 and AED 150 million in March 2018 for the purposes of funding working capital, meeting capital expenditure and debt service. The SSL and related interest were subordinated to the Group's existing term loans and thereafter were payable on demand subject to certain provisions of the existing term loan agreement. The SSL facility carried a fixed interest rate charge of 8% per annum.

(ii) During the year ended 31 December 2018, the SSL facility was incorporated into the convertible bond (Note 16). The existing outstanding balance on the SSL and accrued interest thereon were accordingly included in the convertible bond.

**Key management remuneration**

The key management remuneration during the year was as follows:

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Short-term benefits | **12,203** | 12,246 |
| Long-term benefits | **328** | 303 |
| | **12,531** | 12,549 |

### 11. Trade and other receivables

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Trade receivables | **70,401** | 25,501 |
| Provision for doubtful debts | **(11,408)** | – |
| | **58,993** | 25,501 |
| Prepayments and other receivables | **55,005** | 72,433 |
| Advances to contractors | **39,804** | 43,524 |
| Interest receivable | **5,011** | 589 |
| | **158,813** | 142,047 |

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. A provision has been made for the estimated impairment amounts of trade receivables of AED 11 million (31 December 2017: Nil). The provision has been determined based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The Group does not have any exposure against Abraaj Group.

### 11. Trade and other receivables continued

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| *Movement in provision for doubtful debts* | | |
| As at 1 January | – | – |
| Provision made during the year | **11,408** | – |
| As at 31 December | **11,408** | – |

Included in the Group's trade receivables balance are debtors with a carrying amount of AED 42 million (2017: AED 12 million) which are past due at the reporting date for which the Group has not recorded any provision as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| *Ageing of balances past due but not impaired* | | |
| Past due for less than 180 days | **27,982** | 8,925 |
| Past due for more than 180 days | **13,594** | 2,659 |
| | **41,576** | 11,584 |

### 12. Derivative financial instruments

| | 31 December 2018 | | 31 December 2017 | |
|---|---|---|---|---|
| | Positive fair value AED'000 | Notional amount AED'000 | Positive fair value AED'000 | Notional amount AED'000 |
| **Interest rate swaps** | **71,165** | **2,896,831** | 53,953 | 2,997,812 |

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 fixed deposits amounting to AED Nil (31 December 2017: AED 650 million) held by banks with maturity periods of more than three months from the reporting date. The fixed deposits earned interest at rates ranging from 2% to 3% (31 December 2017: 2% to 3%) per annum.

### 14. Cash and bank balances

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Cash on hand | **3,229** | 3,387 |
| Cash at bank | **1,779,381** | 1,215,371 |
| | **1,782,610** | 1,218,758 |
| Less: Restricted cash | **(169,609)** | (208,624) |
| Cash and cash equivalents | **1,613,001** | 1,010,134 |

### 14. Cash and bank balances continued

Cash at bank includes call accounts that earn interest up to 1% per annum (31 December 2017: 1%). The short-term deposits held by banks with maturity periods of less than three months earn average interest at rates ranging from 2% to 3% (31 December 2017: 2% to 3%) per annum. Restricted cash includes reserves held to service debt as per the requirement of the Group's term loans and cash margin placed with banks for issuing letter of credit facilities.

### 15. Share capital

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Authorised capital 12,643,655,416 shares of AED 1 each (31 December 2017: 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 2017: 7,999,912,670 shares of AED 1 each) | **7,999,913** | 7,999,913 |

### 16. Convertible bond

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Carrying value of SSL and accrued interest at issue date | **412,004** | – |
| Proceeds from issuance of convertible bond | **804,800** | – |
| | **1,216,804** | – |
| Less: Residual value of equity component | **(65,717)** | – |
| Add: Accrued interest | **38,843** | – |
| Carrying amount of liability component | **1,189,930** | – |

During the year ended 31 December 2018, the Group reached an agreement with its Ultimate Parent Company and Parent Company to issue an AED 1.2 billion convertible bond which was approved at the General Assembly on 25 April 2018. Under the agreement, the existing outstanding SSL balance including accrued interest thereon was incorporated into the convertible bond.

The convertible bond has a maturity date of 30 June 2026 and carries a coupon of 8 per cent per annum compounded quarterly. The bond is convertible at the option of the holder at a strike price of AED 1.04 from the period beginning 1 January 2021 and ending on 31 December 2024. The conversion period is extendable for a period of 12 months upon expiry in the event that the trailing 12-month volume weighted average price of the Company shares is less than AED 1.04.

As at 31 December 2018, the convertible bonds were fully issued.

### 17. Bank facilities

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Term loans | **4,158,026** | 4,158,026 |
| Gross borrowing costs | **306,392** | 271,516 |
| Less: Cumulative amortisation | **(89,170)** | (61,223) |
| Un-amortised borrowing costs | **217,222** | 210,293 |
| Carrying amount | **3,940,804** | 3,947,733 |

### 17. Bank facilities continued

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Later than 1 year and not longer than 2 years | **–** | 230,220 |
| Later than 2 years and not longer than 5 years | **819,989** | 1,269,312 |
| Later than 5 years | **3,338,037** | 2,518,120 |
| Amounts due for settlement after 12 months | **4,158,026** | 4,017,652 |
| Amounts due for settlement within 12 months | **–** | 140,374 |
| | **4,158,026** | 4,158,026 |

#### Term loans

(a) As at 31 December 2018, the Group has bank facilities of AED 5.2 billion (31 December 2017: AED 5.2 billion) in the form of term loans of which AED 4.2 billion was utilised as at 31 December 2018 (31 December 2017: AED 4.2 billion) and AED 1 billion was unutilised in respect of the Six Flags Dubai Project. Subsequent to the year end, the AED 1.0 billion bank facility intended for utilisation as part of the Six Flags Dubai Project was withdrawn.

(b) The term loan in respect of the Phase I development of AED 4.2 billion has been fully drawn and has a maturity date of 30 June 2026. During the year ended 31 December 2018, the Group received a 3-year moratorium on principal repayments and covenant testing with no change in interest rate from its Phase I syndicated term loan financiers. Subsequent to re-alignment, the Phase I quarterly principal repayments will commence from March 2021.

(c) The Phase 1 syndicated facilities are secured by a range of mortgages over property owned by the Group, assignments of certain contracts, certain rights to receivables, pledges over certain bank accounts and deposits and guarantees from the Ultimate Parent Company and the Parent Company.

#### Letters of credit

As at 31 December 2018, the Group has facilities in relation to letters of credit amounting to AED 200 million (31 December 2017: AED 228 million) and outstanding letters of credit amounting to AED 46 million (31 December 2017: AED 1 million). The letters of credit are secured by way of:

- Pledge over Wakala deposits; and
- 100% cash margin.

#### Reconciliation of total liabilities 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:

| | | Cash changes | | Non-cash changes | | |
|---|---|---|---|---|---|---|
| | 1 January 2018 AED'000 | Financing cash flows AED'000 | Equity component of convertible bond AED'000 | Finance lease recognised AED'000 | Other non-cash changes AED'000 | 31 December 2018 AED'000 |
| Convertible bond | – | 804,800 | (65,717) | – | 450,847 | 1,189,930 |
| Loan from related parties | 245,200 | 150,000 | – | – | (395,200) | – |
| Bank borrowing | 4,158,026 | – | – | – | – | 4,158,026 |
| Obligations under lease | 303,246 | (66,246) | – | 252,496 | 37,012 | 526,508 |
| | **4,706,472** | **888,554** | **(65,717)** | **252,496** | **92,659** | **5,874,464** |

### 18. Trade and other payables

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Trade payables | **228,229** | 218,908 |
| Accrued expenses | **507,428** | 517,607 |
| Retentions payable | **244,817** | 378,607 |
| Obligations under lease agreements [Note 25 (c)] | **526,508** | 303,246 |
| Rental and other advances | **32,312** | 31,890 |
| Deferred revenue | **41,869** | 45,296 |
| Employees' end of service indemnity [Note 19] | **7,138** | 5,280 |
| Other liabilities | **163,666** | 105,994 |
| | **1,751,967** | 1,606,828 |

### 19. Provision for employees' end of service indemnity

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Balance at the beginning of the year | **5,280** | 5,579 |
| Charge for the year | **3,928** | 6,825 |
| Transfer to a related party | **–** | (849) |
| Amounts paid during the year | **(2,070)** | (6,275) |
| Balance at the end of the year | **7,138** | 5,280 |

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.

### 20. Revenue

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Admission revenue | **230,294** | 237,344 |
| Sales of food and beverage | **81,940** | 75,768 |
| Accommodation revenue | **68,566** | 43,114 |
| Sponsorship revenue | **68,370** | 64,304 |
| Sale of merchandise | **42,821** | 52,130 |
| Lease revenue | **21,122** | 28,687 |
| Management fees | **5,150** | 5,000 |
| Project management revenue | **–** | 21,574 |
| Other | **22,208** | 24,120 |
| | **540,471** | 552,041 |

## 21. General, administrative and operating expenses

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Salaries and other employee benefits* | **292,057** | 391,017 |
| Depreciation [Note 6 and 7] | **473,362** | 477,655 |
| Utility charges | **74,178** | 102,030 |
| Management and royalty fees | **59,309** | 57,715 |
| Repairs and maintenance | **55,739** | 60,518 |
| Supplies, communication and IT expenses | **40,549** | 70,795 |
| Rent expense | **38,346** | 43,584 |
| Provision for doubtful debts | **11,408** | – |
| Security expense | **10,862** | 17,201 |
| Travel expense | **10,349** | 20,759 |
| Insurance expense | **6,723** | 7,785 |
| Provision for slow-moving inventory | **3,293** | – |
| Other | **26,081** | 35,338 |
| | **1,102,256** | 1,284,397 |

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

## 22. Finance costs – net

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| **Interest expense** | | |
| Interest on loans | **(271,595)** | (210,839) |
| Interest on leases | **(46,917)** | (21,353) |
| Amortization of borrowing costs | **(31,662)** | (26,150) |
| | **(350,174)** | (258,342) |
| Interest income | | |
| Interest on deposits | **32,657** | 42,206 |
| | **(317,517)** | (216,136) |

## 23. Non-operating income – net

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Gain on transfer of land to a joint venture | **17,034** | – |
| Reimbursement of rebates | **7,397** | 6,278 |
| Employee related (provisions)/reversals | **(4,025)** | 1,850 |
| Release of deferred liability | **31,632** | 20,307 |
| Other non-operating expense | **(1,896)** | (5,547) |
| | **50,142** | 22,888 |

## 24. 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.

| | 2018 | 2017 |
|---|---|---|
| Loss attributable to equity holders of the Company (in AED'000) | **(2,543,029)** | (1,116,145) |
| **Weighted average number of shares (in '000)** | | |
| Outstanding at 1 January | **7,999,913** | 7,282,704 |
| Issue of new shares – weighted average | **–** | 717,209 |
| Outstanding at 31 December | **7,999,913** | 7,999,913 |
| Basic and diluted loss per share (in AED) | **(0.318)** | (0.140) |

The Company does not have any instruments which have a dilutive impact on loss per share when exercised.

## 25. Commitments and contingent liabilities

### (a) Commitments

Commitments for services to be received in relation to development and construction of assets classified under property and equipment and investment properties amounted to AED 0.6 billion as at 31 December 2018 (2017: AED 0.7 billion).

### (b) Operating lease rentals – Group as a Lessee

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Not later than 1 year | **15,000** | 40,000 |
| Later than 1 year and not longer than 5 years | **–** | 15,000 |
| | **15,000** | 55,000 |

### (c) Lease rentals – Group as a Lessee

| | Future minimum lease payments | | Interest | | Present value of minimum lease payments | |
|---|---|---|---|---|---|---|
| | 2018 AED'000 | 2017 AED'000 | 2018 AED'000 | 2017 AED'000 | 2018 AED'000 | 2017 AED'000 |
| Not later than 1 year | **89,655** | 61,440 | **46,610** | 18,683 | **43,045** | 42,757 |
| Later than 1 year and not longer than 5 years | **355,723** | 245,760 | **159,915** | 44,294 | **195,808** | 201,466 |
| Later than 5 years | **960,057** | 61,440 | **672,402** | 2,417 | **287,655** | 59,023 |
| | **1,405,435** | 368,640 | **878,927** | 65,394 | **526,508** | 303,246 |

### (d) Operating lease rentals – Group as a Lessor

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Not later than 1 year | **27,635** | 32,584 |
| Later than 1 year and not longer than 5 years | **33,407** | 65,647 |
| | **61,042** | 98,231 |

## 25. Commitments and contingent liabilities continued

### (e) Letter of credits

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Letters of credit | **45,564** | 1,018 |

### (f) Contingent liabilities

Contingent liabilities may arise during the normal course of business. Based on information presently available any such contingent liabilities either cannot be quantified at this stage or in the opinion of management are without merit and therefore are deemed not likely to result in a cash outflow to the Group at the present time.

## 26. 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

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including cash and cash equivalents) | **1,871,169** | 1,928,902 |
| Derivative financial instrument- at fair value | **71,165** | 53,953 |
| | **1,942,334** | 1,982,855 |

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| **Financial liabilities** | | |
| At amortised cost | **6,865,951** | 5,841,282 |

### (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.

## 26. Financial instruments continued

### (c) Fair value of financial instruments continued

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

## 27. 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 (2017: LIBOR + 3.5% and EIBOR + 3.15% per annum) (Note 17).

#### Interest rate sensitivity analysis

The following sensitivity analysis 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. 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 2018 would increase/decrease by AED 16 million (2017: AED 10 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.

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.

## 27. Financial risk management continued

### (d) Liquidity risk management continued

Liquidity risk tables

| | Weighted average interest rate % | Less than 1 year AED'000 | More than 1 year AED'000 | Total AED'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| **2018** | | | | |
| Non-interest-bearing financial assets | **–** | **261,397** | **–** | **261,397** |
| Fixed interest-bearing financial assets | **2.12** | **1,609,772** | **–** | **1,609,772** |
| Derivative financial instrument | **1.65** | **–** | **71,165** | **71,165** |
| | | **1,871,169** | **71,165** | **1,942,334** |
| **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 |

| | Weighted average interest rate % | Less than 1 year AED'000 | More than 1 year AED'000 | Total AED'000 |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| **2018** | | | | |
| Variable interest-bearing financial liabilities | **3.15–8** | **43,045** | **5,831,419** | **5,874,464** |
| Non-interest-bearing financial liabilities | **–** | **991,487** | **–** | **991,487** |
| | | **1,034,532** | **5,831,419** | **6,865,951** |
| **2017** | | | | |
| Variable interest-bearing financial liabilities | 3.15–8 | 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 |

## 28. Capital management

The capital structure of the Group consists of cash and cash equivalents, equity attributable to equity holders of the Company, convertible bonds 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.

## 29. 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.

## 30. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and signed for issuance on 27 March 2019.