DXB ENTERTAINMENTS

DREAMS WITHOUT BOUNDARIES

The region's leading leisure and entertainment destination

Annual Report 2018

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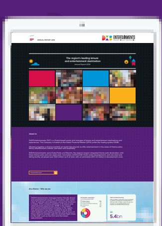
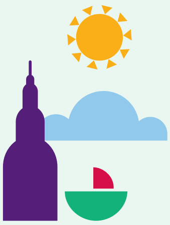


www.dxbentertainments.com/investor-relations/



DXB Entertainments PJSC is a Dubai-based owner and manager of leisure and entertainment destinations and experiences. The Company is traded on the Dubai Financial Market (DFM) under the trading symbol DXBE.

We bring together a diverse portfolio of world-class brands to offer entertainment in the areas of theme parks, family entertainment centres, and retail and hospitality.

DXBE owns Dubai Parks and Resorts (DPR), the region's largest integrated theme park destination, with three theme parks and one water park, two hotels (LEGOLAND® Hotel under development), and one retail and dining facility, all spread over 30.6 million sq ft of land, with an estimated AED 12.2 billion in development costs.

DXB Entertainments manages family-friendly leisure and entertainment assets, in association with world-class IP partners and operators, across five locations in Dubai. With a diverse portfolio of 16 leisure and entertainment experiences, DXBE is the largest leisure and entertainment company in the region. Our attractions have been created to serve both UAE residents and inbound tourists, with a focus on those inbound markets with the shortest flight times to the UAE, such as the GCC and the Indian subcontinent.

Vision

DXBE is a leading provider of leisure and entertainment offerings and services for customers, spreading fun and excitement throughout the region with extraordinary family experiences.

At the forefront of the thriving leisure and entertainment industry in the Middle East, we have created and manage a portfolio of experiences and assets that will deliver shareholder value over the long term.

Our Goals

1. Establish ourselves as a key component in Dubai's world-class and expanding leisure and entertainment experience by growing visitor numbers at our properties.
2. Expand the number of rooms available at DPR to enhance dwell time at the destination and encourage multi-park visitation.
3. Continuously innovate in the area of entertainment, and strive to become an internationally recognised leader in the field.
4. Provide a world-class experience for our guests.

Rides and attractions

More than 100 stunning rides and attractions throughout our 25 million sq ft world-class theme park destination, offering unique experiences to visitors of all ages.

Delivering best-in-class experiences

In 2018, the DreamWorks™ Animation Zone at MOTIONGATE™ Dubai was awarded the prestigious Thea award by the Themed Entertainment Association (TEA) for Outstanding Achievement. MOTIONGATE™ Dubai and LEGOLAND® Water Park also received best in category awards at the 2018 Time Out Dubai Kids Awards.

Shareholder composition
As at 31 December 2018

Meraas Group	52%
Qatar Holding	11%
Kuwait Investment Authority	5%
Institutional	13%
Retail	19%

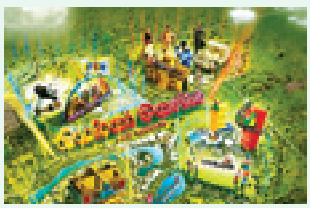
AED 5.4 billion financing
AED 4.2 billion syndicated financing facility in relation to the phase 1 development of DPR and AED 1.2 billion raised through the issuance of convertible bonds to our majority shareholder Meraas Group.

AED
5.4bn

The journey to our first full year of operations

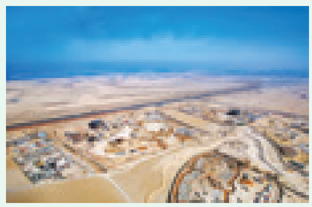
Planning, design and construction

2012



Dubai Parks and Resorts project announced

2014



Groundwork commenced on site

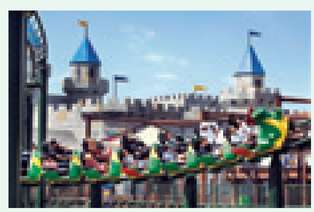
Secured AED 4.2 billion syndicated finance

Successfully raised AED 6.3 billion equity funding including a Dubai Financial Market IPO listing

2015

Agreed major partnerships with globally recognised brands, including Lionsgate, for the fifth zone at MOTIONGATE™ Dubai

Launched the Helmi scholarship programme, offering Emiratis training in Orlando, Florida, USA



DPR's first ride – The Dragon Coaster installed at LEGOLAND® Dubai

Operational phase | The future

2016

DXB Entertainments name change completed

Company moves into operational phase as LEGOLAND® Dubai and Riverland™ Dubai opened on 31 October

Official inauguration of DPR on 18 December

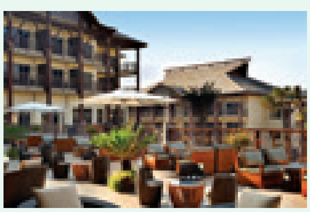
2017

Agreement with Meraas Group to manage select leisure and entertainment assets

DreamWorks™ zone in MOTIONGATE™ Dubai unveiled to the public

World's first The Hunger Games attractions opened in MOTIONGATE™ Dubai

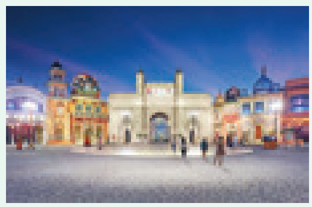
The year marked the company's move from project delivery to operations



Lapita™ Hotel and LEGOLAND® Water Park opened to the public on 2 January

Launch of new pricing and Annual Pass offer

2018



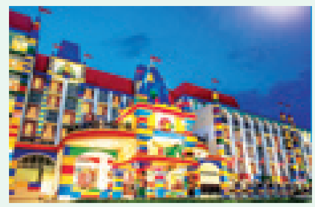
Bollywood Parks™ Dubai enhancement plan launched with family-friendly rides to be added, combined with a new entertainment, retail and food and beverage offering – resulting in a more authentic South Asian experience

DXBE enters into key strategic partnerships with Roads & Transport Authority, Dubai Duty Free and Emirates Airline

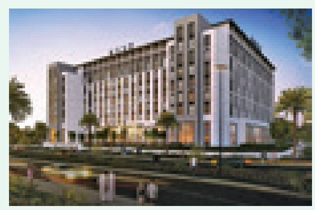
DPR crosses the 5 million visitor mark since opening

Ground-breaking ceremony for the construction of LEGOLAND® Hotel

The future



LEGOLAND® Hotel, with 250 rooms, to open adjacent to LEGOLAND® Dubai in first half of 2020



The opening of the 579-room third-party owned and operated Rove Hotel will increase room inventory, broaden the demographic appeal of the destination and drive visitation.

Enhancement of MOTIONGATE™ Dubai and Bollywood Parks™ Dubai through the addition of new rides (subject to shareholder approval)

World-class leisure and entertainment experiences

DXB Entertainments manages a diversified portfolio of 16 leisure and entertainment experiences across three separate divisions: Theme Parks, Retail and Hospitality, and Family Entertainment Centres.

* LEGOLAND® Hotel due to open in H1 2020. LEGO, the LEGO logo, the Brick and Knob configurations, and LEGOLAND are trademarks of the LEGO Group. ©2018 The LEGO Group. LEGOLAND is a Merlin Entertainments brand.

Theme Parks

1. MOTIONGATE™ Dubai

Largest Hollywood movie-themed park in the region, targeting all age groups and nationalities.

2. LEGOLAND® Dubai

Where LEGO® bricks come to life, the ultimate theme park for families with children aged 2-12, with more than 15,000 LEGO® models made from 60 million LEGO® bricks.

3. LEGOLAND® Water Park

The region's only water park designed for families with children aged 2-12, with more than 20 LEGO® themed water slides and attractions.

4. Bollywood Parks™ Dubai

The world's first Bollywood-themed park, focusing on action, dance, romance, and flavours based on some of the major Bollywood blockbusters.

Retail and Hospitality

5. LEGOLAND® Hotel

Built on 300,000 sq ft of land, this will be the first LEGOLAND® Hotel in the Middle East and DPR's second hotel. Visitors will have easy access to LEGOLAND® Dubai and LEGOLAND® Water Park.

6. Lapita™ Hotel

Lapita™ Hotel, operated by the Marriott Group with 504 rooms, a Polynesian-themed family-friendly hotel.

7. Riverland™ Dubai

Riverland™ Dubai is a waterfront district at the heart of DPR. It is an unticketed retail, dining and entertainment destination.

8. Roxy Cinemas

Roxy Cinemas is a fresh cinematic experience, with theatres that allow patrons to enjoy the movie in a sophisticated environment that pays homage to the magic of the movies.

Family Entertainment Centres

9. Hub Zero

Spread over two floors and 18,000 sq m, Hub Zero is an indoor video gaming zone which includes virtual reality shooting, virtual reality racing, time-warped arcade, and network games.

10. The Green Planet

Bio-dome housing a giant indoor ecosystem. Visitors can explore and interact with a whole new world of exotic flora and fauna in this fully immersive vertical tropical forest.

11. Splash Pad

Shaded and gated water recreation venue, with the perfect beach backdrop, offering various games and activities for toddlers and children.

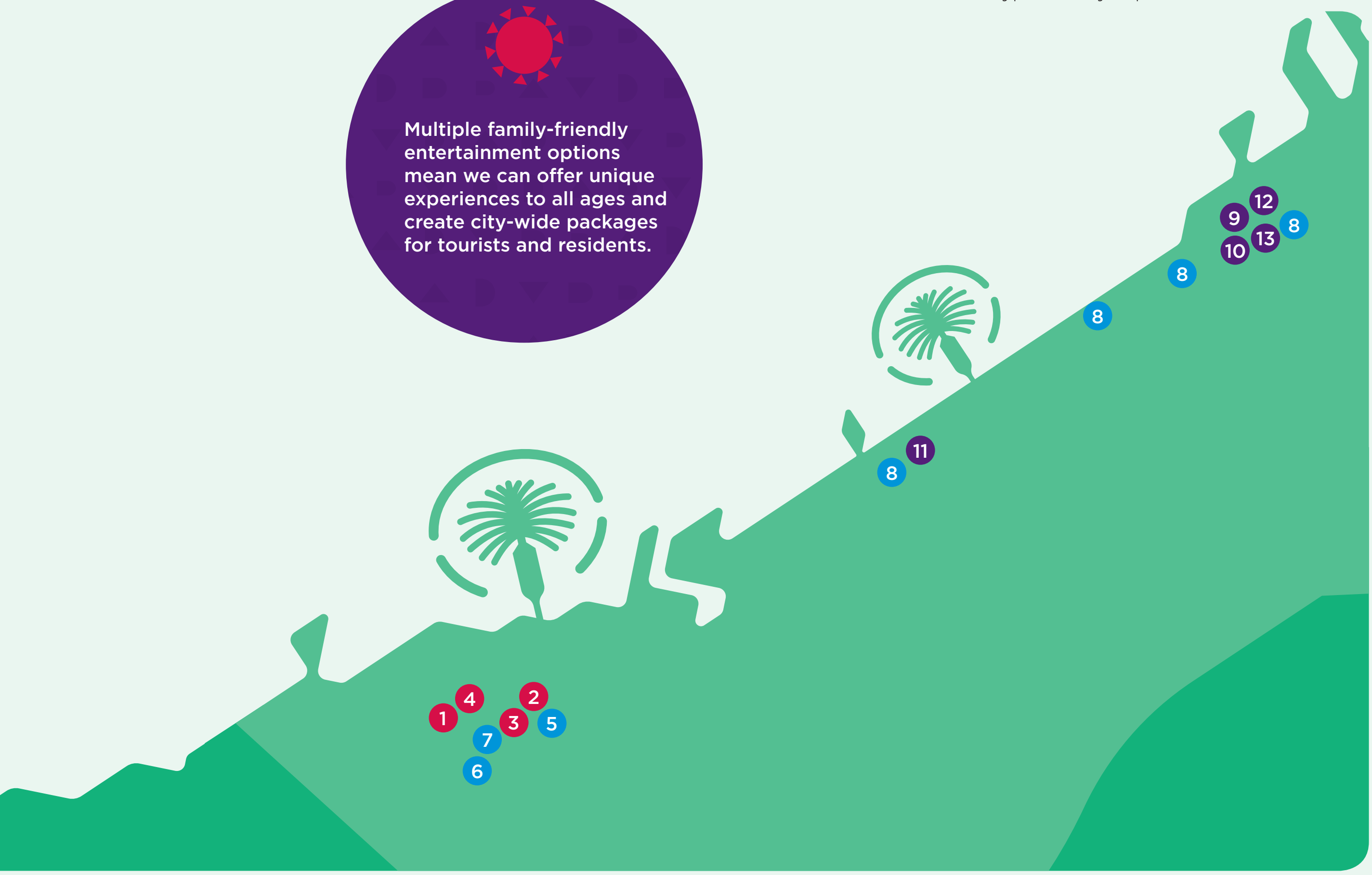
12. Mattel Play Town

Indoor interactive games and play area for kids. Each play space is dedicated to education and the development of social skills.

13. The VOID

Gaming experience beyond virtual reality, combining physical set with real-time interactive effects by a US-based company, which brought its critically acclaimed, award-winning hyper-reality experience to Dubai.

Multiple family-friendly entertainment options mean we can offer unique experiences to all ages and create city-wide packages for tourists and residents.



DXB Entertainments Management Team

Mohamed Almulla
Chief Executive Officer and Managing Director

Mohamed Almulla was appointed Chief Executive Officer in June 2017. Mohamed brings extensive experience from a wide range of media and entertainment business segments, including radio and TV broadcasting, printing and publishing, digital media, out-of-home advertising, event management, and parks and attractions.

He was previously CEO of the Arab Media Group, where he oversaw all operational aspects of the group's three major business units: Arabian Radio Network, Done Events, and Global Village. From his appointment in 2008, Mohamed steered the group towards market growth through innovation in the entertainment sector and new customer-centric strategies.

Before joining the Arab Media Group, he held several leadership positions within the TECOM Group, including Executive Director of Dubai Media City, where he led the consolidation of the business hub's international status, whilst playing a key role in attracting leading global media brands to the region.

Mohamed holds a Bachelor of Science degree from the University of Toledo, Ohio, USA.

Ahmad Hussain Bin Essa
Deputy Chief Executive Officer

Ahmad Hussain joined DXB Entertainments in August 2017. He is a seasoned regional theme park professional, with extensive experience in operations and business development.

He joined Global Village, one of the region's premier cultural and family entertainment destinations, as Chief Operating Officer in 2013. He was promoted in 2015 to CEO, with responsibility for the successful expansion of the business.

Ahmad is a board member at the International Association of Amusement Parks and Attractions (IAAPA). Previously, he held positions at Emirates Integrated Telecommunications Company (du), the Facilities Operation Department of the Engineer's Office of HH Mohammed Bin Rashid Al Maktoum, ADNOC, and as a marine engineer with BP, North Sea.

He graduated with a degree in Mechanical Engineering from Northumbria, UK, and earned his MSc in Engineering Management from Sunderland University, UK.

Subsequent to the year-end, Ahmad Hussain assumed the role of Chief Operating Officer.

John Ireland
Chief Financial Officer

John Ireland joined DXB Entertainments as Chief Financial Officer in June 2017. He has experience across a wide range of media, including broadcast, digital, out-of-home, print, event management, and recorded music.

He was previously CFO at the Arab Media Group, where he oversaw the financial, strategic, and legal aspects of the group's operations, including the Arabian Radio Network, Global Village, and Done Events.

John joined the Arab Media Group from 21st Century Fox, where he held a number of senior finance positions across the Group's operations in Europe, Asia, and the Middle East, including regional experience as Chief Financial Officer of Rotana Media Group.

He has a Bachelor of Arts degree in business and management from the University of Exeter, UK, and is a qualified chartered accountant, having previously worked for Deloitte in the telecommunications, media, and technology sector.

Ahmed AlRayyes
Chief Commercial Officer

Ahmed AlRayyes joined DXB Entertainments in August 2017.

Before joining DXB Entertainments, he was Chief Commercial Officer at Global Village, one of the region's premier cultural and family entertainment destinations, where he played a key role in growing the business. He was responsible for managing all commercial and revenue channels, and successfully developed and implemented revenue-enhancing strategies, partnership delivery, and expanding the market opportunity.

Previously, he headed the commercial sourcing and procurement department at Emirates Integrated Telecommunications Company (du). He spent more than eight years with the telecom company, developing and implementing procurement strategies.

He also worked in the engineering and broadcasting division for Dubai Media Incorporated, the official media organisation of the Government of Dubai.

He holds a BA in Electrical and Computer Engineering.

Subsequent to the year-end, Ahmed AlRayyes assumed the role of Chief Retail and Hospitality Officer.

Paul Parker
General Manager of Family Entertainment Centres

Paul Parker joined DXB Entertainments as General Manager of Family Entertainment Centres in October 2017. He brings more than 20 years' management experience covering marketing, sales, and operations.

He previously held senior positions at some of Australia's most successful media companies, including the Nine Network and ARN, and also built a successful digital media business. Most recently, he was Chief Commercial Officer for a 21st Century Fox joint venture in the Middle East.

Paul was educated at Dickson College in Canberra, Australia, where he studied psychology and media.

Subsequent to the year-end, Paul Parker assumed the role of Chief Commercial Officer.

Waseem Hassan
Chief Business Support Officer

Waseem Hassan joined DXB Entertainments in 2014 and has headed Human Resources and Administration through the critical pre-opening phase of Dubai Parks and Resorts.

In 2018, Waseem took on additional responsibility for Information Technology, Insurance and Business Excellence in his new role as Chief Business Support Officer.

With over 14 years' experience in Strategic Human Resources management, Waseem brings extensive experience in managing successful large-scale resourcing projects and in implementation of IT infrastructure.

Before joining DXB Entertainments, Waseem was the Corporate Director of Human Resources and Administration in the Leisure and Entertainment division of Meraas Holding. Waseem also spent five years as Director of Human Resources at the Jumeirah Group.

Previously, Waseem held key positions within Dubai Holding.

Waseem is a Chartered Fellow-CIPD, UK and he holds a master's degree in business administration from Anglia Ruskin University, UK.

Foundations for future success

On behalf of the Board of Directors of DXB Entertainments PJSC (the “Company”) and its subsidiaries (collectively the “Group”), I am pleased to present the annual report for the year ended 31 December, 2018.

In 2018 we reaffirmed DPR’s position as the region’s leading integrated theme park destination. DPR has been designed to appeal to the UAE’s residents and tourists and is an integral part of Dubai’s long-term tourism vision.

There are encouraging signs that we are delivering on our main objective to reach EBITDA break-even and thereafter profitability. Our strategy to drive international visitation through the introduction of more hotel rooms, strategic partnerships and focusing on our key source markets is in place and we are confident this will deliver the required international visitation to break-even.

Our proposed enhancement plan, subject to shareholder approval, will further enhance what is already a market-leading destination and will see rides, including world-record rides, introduced to our destination for the first time. If approved this will broaden our appeal, increase dwell time, encourage repeat visitation and drive higher per-capita spend.

As with all leisure and entertainment businesses we are susceptible to wider market factors, including global macro-economic conditions that are outside of our control. Whilst we are optimistic as to the future we must always be mindful of potential near-term headwinds. Looking ahead we remain grateful to our shareholders, and other stakeholders, for their continued patience. By its very nature, operating a theme park on this scale requires a long-term view.

On behalf of the Board of Directors, I would like to thank our shareholders for their ongoing support. I must also express my appreciation and gratitude to our customers, dedicated employees, operators and financing partners as well as the Government of Dubai and the UAE Federal Authorities for their continued support in ensuring that we can deliver on our target to reach profitability.

Abdul Wahab Al-Halabi
Chairman

Growing demand combined with cost efficiencies

Targeting the resident market

Our pricing has been adapted to provide compelling price points for residents and tourists whilst encouraging repeat visitation.

Total visits

Close to 2.8 million visits to DPR in 2018.

2.8m

Thea award

DreamWorks™ Animation Zone at MOTIONGATE™ Dubai received a prestigious award from the Themed Entertainment Association (TEA) for outstanding achievement.

Time Out Dubai Kids Awards

MOTIONGATE™ Dubai was awarded the best theme park in UAE and LEGOLAND® Water Park was awarded best water park in UAE, with LEGOLAND® Dubai highly commended at the 2018 Time Out Dubai Kids Awards.

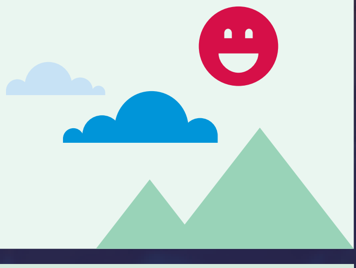
Operating cost

AED 728m (for the year ended 31 December 2018)

Salaries and other employee benefits	40%
Sales and Marketing	14%
Utilities	10%
Repairs and maintenance	8%
Supplies, communication and IT	6%
Rent	5%
Others	17%

Cost optimisation

Cost optimisation was achieved through reductions in staff costs, more efficient marketing spend and renegotiation of third-party provider contracts.

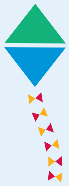


Dubai Airports partnership

Agreement to provide exposure to DPR at multiple consumer touchpoints across every terminal at the world's busiest international airport.

Visitation record

New daily visitation record set in April with more than 36,000 visits during the second annual Big Day Out festival.



36,000

Partnership with UnionPay

Entered into partnership with leading global card company UnionPay to provide marketing services and enable payments for Chinese visitors to the UAE.

Agreement with Dubai Taxi Corporation

An agreement with Dubai Taxi Corporation gave visitors entry to two theme parks for AED 235, with 100 specially branded taxis operating from arrival terminals at Dubai International Airport.

First full year of operations

2018 showed an upward trend, with visit numbers increasing 22 percent year-on-year, hotel occupancy reaching 60 percent, up from 35 percent in the prior year, and EBITDA losses reduced by 50 percent.

Visits
('000)

2.8m

Q4 2018	819
Q3 2018	501
Q2 2018	612
Q1 2018	851

EBITDA loss
(AED million)

210m

(37)	Q4 2018
(81)	Q3 2018
(67)	Q2 2018
(25)	Q1 2018

Revenue
(AED million)

541m

Q4 2018	149
Q3 2018	103
Q2 2018	116
Q1 2018	173

Progress has been made in delivering visitation and occupancy growth, however international visitation continues to fall behind initial expectations and must ramp up to deliver on our target of EBITDA break-even.

We have completed our transition from project delivery in 2017 to full operations in 2018. As a result we now have a pattern of trading performance and we are more able to accurately forecast our growth trajectory.

All of our phase one rides and attractions were in place from the start of the year and the Lapita™ Hotel continued to gain traction. Our cost-saving initiatives, including renegotiation of key supplier contracts and headcount savings, have significantly reduced our cost base and our capital structure has been enhanced through our debt realignment and the injection of AED 1.2 billion in the form of convertible bonds from our majority shareholder, Meraas Group.

2018 showed an upward trend, with visit numbers increasing 22 percent year-on-year, hotel occupancy reaching 60 percent, up from 35 percent in the prior year, and EBITDA losses reduced by 50 percent. This should be viewed as a positive development for a leisure and entertainment resort still in its infancy.

However, it should also be noted that these gains are insufficient to help us achieve EBITDA break-even, which is our primary objective. Our focus remains on driving international visitors to our destination and we have our strategy in place to do so. By introducing more hotel rooms to the destination we will provide packaged offers to international tourists across a variety of price points and experiences, whilst leveraging our strategic partnerships and targeting our marketing into our key source markets and in particular those with the shortest flight times.

Concurrently we are proposing, subject to shareholder approval, to further enhance our destination through the re-utilisation of rides and proceeds originally intended for the Six Flags Dubai project, cementing our position as the leading integrated theme park destination in the region.

Expansion plan

At the time of publishing this report, the Board of Directors are recommending, subject to shareholder approval, to utilise a select portfolio of the rides originally intended for the Six Flags Dubai project to further enhance the consumer experience at two of DPR's key assets, MOTIONGATE™ Dubai and Bollywood Parks™ Dubai.

The proposed expansion will further diversify our entertainment offering, attract a wider demographic of visitors, increase dwell times and encourage repeat visitation. Three rides are currently world-record-breaking, including the most zero-gravity moments for a rollercoaster and the world's tallest vertical swing ride.

The remaining rides will be stored and installed as part of ongoing annual enhancement capex, ensuring that the consumer offering is protected into the future.

The proposed expansion will be funded through existing cash reserves with no additional debt and any surplus funds will be utilised for corporate purposes. We believe this is the best option to ensure long-term shareholder value.

Hotels to support international visitor demand, target new demographics and drive revenue

Growth in international visitation is important to the future success of DPR and our near-term goal to deliver EBITDA break-even. We saw strong growth in 2018, with tourists constituting 40 percent of our visitation, to deliver on our target of EBITDA break-even, further growth in international visitation is required.

A central pillar of the strategy to deliver growth in international visitors is our hotel strategy, which aims to deliver over 1,300 hotel rooms to the destination by 2020. To support this, the LEGOLAND® Hotel will open at DPR in the first half of 2020, which will add a further 250 family-sized rooms to the existing hospitality offering and is a first-of-its-kind in the region, enabling DPR to attract a greater number of families through bundled hotel package deals.

In addition, the third-party owned and operated Rove Hotel will open in 2019, adjacent to DPR.

The opening of the Rove Hotel will add 579 rooms to the destination and broaden the overall hotel offering to appeal to a wider demographic of value-focused visitors.

The success of Lapita™ Hotel, our on-site, Polynesian-themed hotel, vindicates DXBE's strategy to add further hotels to the destination. A hotel creates a holistic experience in one location, increases dwell time and changes the mood of your visit. The 504-room Lapita™ Hotel delivered over 400,000 visits in 2018 and we are confident that our new hotels will have a similar impact going forward.

Ecosystem of partnerships

Strategic partnerships are important to help us increase international visitation. We now have partnerships in place with major brands such as Emirates Airline, Jumeirah Group, Dubai Airports, Dubai Duty Free, Dubai Tourism & Commerce Marketing and Roads & Transport Authority, in addition to our hotel partners. We also announced a partnership with China's UnionPay as well as with the Hala China initiative to generate further brand awareness in China.

The launch in late 2018 of a Department of Tourism and Commerce Marketing (DTCM) advertising campaign promoting Dubai internationally as a theme park destination is an exciting development. It builds on the city's reputation as a preferred leisure and entertainment destination offering family-friendly experiences, connectivity and safety across a variety of best-in-class experiences.

With regard to our tour and travel and industry partners, we are gradually moving from a bulk- and volume-based strategy to incentive-based pricing, rewarding our partners on delivery of annual revenue targets.

DPR's fortunes are, to a large extent, being shaped by our ability to target and attract international visitors from core international markets such as the Kingdom of Saudi Arabia, China, the Indian subcontinent, Russia and the United Kingdom.

Hotels to drive international visitation

Over 1,300 hotel rooms at DPR in 2020 to increase length of stay, dwell time and promote bundle packages.

Average occupancy and ADRs

(%, AED)

In the near term we will direct a greater proportion of our advertising spend towards our international markets and in particular to those within shorter flight times and therefore with a higher propensity for visitation.

Family tourism is a significant component of Dubai's tourism and our core target market. We accept that we will always be competing against other attractions in Dubai, so we will keep pushing the DPR value proposition, and make it so persuasive, that the parks become another of the city's must-see attractions on the travel itineraries of our international family visitors.

We are leaving no stone unturned in our efforts to do so and can highlight some successes in this area. The collaboration with Emirates, for example, delivers Emirates customers with a unique value proposition whilst providing DPR with a valuable cross-promotional platform to build pre-arrival awareness.

Our offering caters to all market segments; the movie-themed MOTIONGATE™ Dubai has the broadest demographic appeal whilst LEGOLAND® Dubai and the LEGOLAND® Water Park cater to the 2-12 audience. Bollywood Parks™ Dubai is a first-of-its kind entertainment park, targeting the significant South Asian resident and international communities. Our broad appeal is to our advantage, however this necessitates a multi-faceted marketing approach, with strategies tailored to each market segment.

Industry recognition

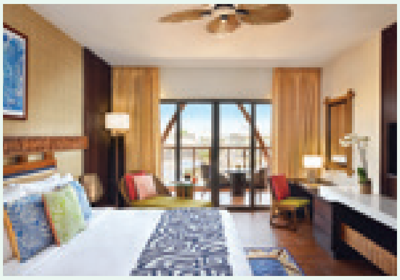
DPR received a number of awards during the year, recognising its position as the region's largest integrated theme park destination. The DreamWorks™ zone at MOTIONGATE™ Dubai received a prestigious 2018 Outstanding Achievement Award from the Themed Entertainment Association. MOTIONGATE™ Dubai also won in the Best Theme Park in UAE category at the 2018 Time Out Dubai Kids Awards, and LEGOLAND® Water Park won the Best UAE Water Park at the Time Out Dubai Kids awards, with LEGOLAND® Dubai highly commended.

Outlook

The principal focus for 2019 is to maintain our cost base whilst continuing to grow visitation with an emphasis on visitation from our key source markets. The opening of the Rove Hotel in the second half of 2019 will provide a further boost in visitation to the destination and we are working hard to ensure the successful launch of the LEGOLAND® Hotel in 2020. Furthermore, the proposed expansion plan for MOTIONGATE™ Dubai and Bollywood Parks™ Dubai will diversify visitor demographics and increase dwell times.

The management team is committed to reaching the EBITDA break-even target during the second half of 2020 and we believe that we have the strategy in place to deliver this.

Mohamed Almulla
Chief Executive Officer and Managing Director



Lapita™
Hotel occupancy reached 60 percent, delivering over 400,000 visits to the destination in 2018.

60%

50 percent reduction in EBITDA losses

Cost-saving initiatives resulted in a significant reduction in year-on-year EBITDA losses. Implementation of our hotel strategy, revenue optimisation initiatives and tight control of our cost base will move us towards expected EBITDA break-even during the second half of 2020.

2018 was the first year of operations for DPR and we are therefore pleased to report growth in both our visitation and our hotel occupancy. In 2018, visits grew by 22 percent to almost 2.8 million of which resident visits comprised approximately 60 percent and hotel occupancy increased to 60 percent from 35 percent in the prior year.

Visitation from tourists, a key driver of success for a destination such as ours, continues to fall behind expectation at only 40 percent of total visitation and consequently we have taken appropriate steps to mitigate related revenue pressures by implementing effective cost-saving initiatives.

As a result our operating cost base reduced to AED 728 million in 2018, a 21 percent year-on-year improvement with savings achieved across multiple cost categories, most notably in our manpower costs.

As expected during the ramp-up phase of the business and with the introduction of our competitive pricing and compelling annual pass offering there has been pressure on yields. This resulted in a total revenue declining marginally year-on-year, although when adjusted for non-recurring project management revenues in 2017, revenue was 2 percent higher year-on-year. However as highlighted our cost-saving initiatives have materially reduced our EBITDA losses to AED 210 million from AED 422 million in the prior year, a 50 percent improvement.

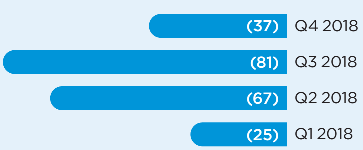
Strengthening of the capital base

Our balance sheet position and capital base were strengthened during the year, firstly through the realignment of our Phase 1 syndicated financing facility for which a three-year moratorium on principal repayments and covenant testing was agreed through to 2021 and secondly through the issuance of AED 1.2 billion of convertible bonds to our majority shareholder, Meraas Group. The convertible bonds issued were inclusive of the AED 700 million subordinated loan facility already made available to the Group. They have a maturity date of 30 June 2026, with a deferred compounded quarterly coupon rate of 8 percent and a conversion price of AED 1.04 per share.

EBITDA loss
50% year-on-year improvement

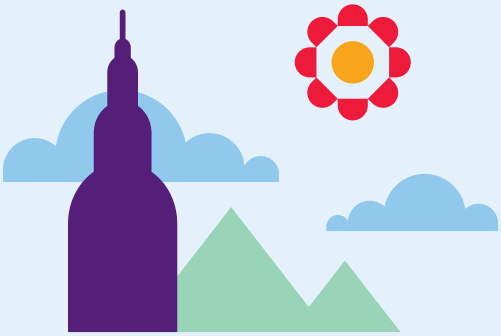
AED
210m

EBITDA loss
(AED million)
210m



Number of employees
1,963 employees at the end of 2018, a major reduction from 3,184 at the end of 2016.

1,963



Cash balances

AED

1.8bn

As at 31 December 2018 we had cash balances of AED 1.8 billion of which AED 0.2 billion was restricted or ring-fenced cash and AED 0.7 billion was related to the Six Flags Dubai project, resulting in available cash balances of AED 0.9 billion. As we negotiate the settlement of our outstanding contractor liabilities from the construction phase we continue to push for long-term settlement agreements, thus generating near-term liquidity. Should our planning cycle identify any future liquidity needs we will come back to our shareholders with an outlook as required.

One-time accounting charges

Due to the delayed ramp-up of international visitation, the management team and the Board have assessed that there is a reduction in the asset values of our primary asset, DPR. Whilst we feel it is early to assess the financial performance of a market-leading asset that is by nature a long-term commercial proposition, on the basis of prudence and in accordance with international accounting standards a non-cash impairment provision of AED 991 million has been recognised.

This accounting adjustment does not impact the underlying operations of the Group.

In addition, subsequent to the year-end and in relation to the Six Flags Dubai project, management has assessed the carrying value of assets related to the project and held on the balance sheet at the year-end as well as related future commitments.

Operating cost base

AED

728m

This assessment has indicated that certain assets, mainly related to infrastructure, facilities, intellectual property fees and professional fees, may not be recoverable and accordingly an impairment charge of AED 551 million has been recognised. Land, the related substation and rides have been assumed to have enduring value and remain capitalised on the balance sheet.

Implementation of strategy to deliver EBITDA break-even

Operationally we are pleased to report that our Bollywood Parks™ Dubai enhancement plan is underway and the new entertainment offering is resonating well with our visitors in what we know is a unique one-of-a-kind offering. Our proposal, subject to shareholder approval, to further enhance MOTIONGATE™ Dubai and Bollywood Parks™ Dubai with the introduction of rides originally from the Six Flags Dubai project will see the introduction of world-record rides, broaden our demographic appeal, encourage repeat visitation, drive dwell times and increase per-capita spend. Remaining rides will be stored and utilised as part of future ongoing capital enhancement programs.

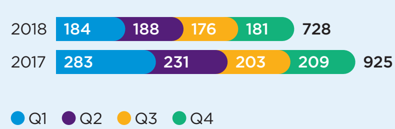
Looking forward, our goal remains to achieve EBITDA break-even, which we believe we will deliver on during the second half of 2020. Our strategy to achieve this is defined and in place. At its core is increasing our international tourist penetration. To do so we have a multifaceted strategy in place:

- Over 800 further hotel rooms to be added to the destination in the form of the third-party operated Rove Hotel and the LEGOLAND® Hotel, a joint venture with our partner Merlin Entertainments and a first-of-its kind in the region. By adding more hotel rooms we enhance our capability to offer package solutions to our international visitors and to drive longer length of stay and multi-park visitation.
- Continuing to work with our strategic partners such as Emirates Airline, Dubai Tourism & Commerce Marketing, Roads & Transport Authority, Jumeirah Group, Hala China and UnionPay to build both pre- and post-arrival awareness.
- Focusing our marketing efforts on our key source markets with a particular focus on those with the closest flight times such as the Kingdom of Saudi Arabia and the Indian subcontinent.
- Optimising yields and offering bundled packages to our international and resident visitor base.

In DPR we have a market-leading asset. Our proposed enhancement plans will further cement our position as the leading destination in the region and with the implementation of our strategy we are confident we can move towards our goal of delivering EBITDA break-even during the second half of 2020.

John Ireland
Chief Financial Officer

Operating cost
(AED million)



	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018
AED million					
Revenue	**173**	**116**	**103**	**149**	**541**
Cost of sales	(22)	(16)	(14)	(21)	(73)
Gross profit	**152**	**100**	**89**	**128**	**468**
Operating expenses*	(184)	(188)	(176)	(181)	(728)
Non-operating income	7	21	6	16	50
EBITDA	**(25)**	**(67)**	**(81)**	**(37)**	**(210)**
Pre-opening and non-recurring expenses/(income)	(2)	(16)	(1)	(10)	(28)
Adjusted EBITDA*	**(27)**	**(83)**	**(82)**	**(48)**	**(239)**
Depreciation and amortisation	(120)	(119)	(115)	(121)	(474)
Impairment and other related charges	–	–	–	(1,542)	(1,542)
Finance costs – net	(63)	(69)	(76)	(110)	(318)
Pre-operating and non-recurring (expenses)/income	2	16	1	10	28
Loss for the period	**(207)**	**(255)**	**(271)**	**(1,810)**	**(2,543)**
Cash flow hedge – gain/(loss) on fair value	41	10	6	(40)	17
Total comprehensive loss for the period	**(166)**	**(246)**	**(265)**	**(1,849)**	**(2,526)**

* Adjusted for pre-operating and non-recurring expenses. During FYE 2018, credit card commissions have been reclassified from operating expenses to cost of sales to better reflect the nature of the expense. To facilitate comparability, previous periods have been restated on a like-for-like basis.

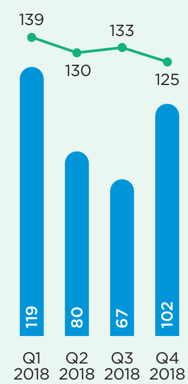
** Due to rounding, numbers presented may not add up precisely to the totals provided, and percentages may not precisely reflect the absolute figures.

Total revenue
(AED million)

AED
541m

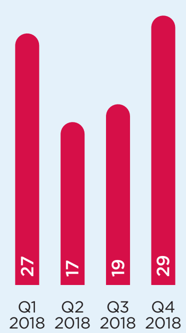
Theme park revenue and per caps*
(AED million, AED)

AED
367m



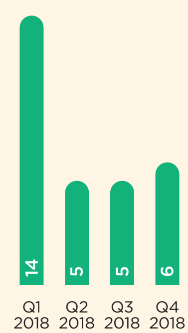
Hospitality revenue
(AED million)

AED
92m



Retail revenue
(AED million)

AED
30m



*Commencing 2018 for presentation purposes, sponsorship revenues have been excluded from theme park revenue.

Leveraging Dubai's tourism vision

Benefiting from its world-class air transport infrastructure and its status as one of the safest countries in the world, Dubai was on track to be the fourth most visited city in the world in 2018.

Key travel and tourism demand drivers continue to show a positive outlook for the sector and despite economic pressures in certain key source markets, international tourist arrivals to Dubai reached 15.9 million in 2018.

Dubai has once more demonstrated its ability to offset the reduction in tourist arrivals from certain markets by redirecting its efforts on attracting visitors from alternative markets, emphasising the stability of the tourism sector. While aligning our sales and marketing strategy with Dubai Tourism & Commerce Marketing's international campaigns and leveraging our existing relationships with prominent trade partners, DXBE has been able to achieve strong capture rates in key source markets such as Russia and the Indian subcontinent.

During the year our sales and marketing efforts mainly focused on capitalising on local demand while raising international brand awareness and strengthening our distribution network. Achieving growth in international visitation will remain a key area of strategic focus over the coming year and as we continue to expand our local and international strategic partnerships. Our priority will be to optimise our product offering and offer customised high-yielding packages specific to our target segments.

International passenger traffic

Dubai International Airport retained its title as the busiest international airport in the world for the fifth consecutive year with a total of 89.1 million passengers.

89.1m

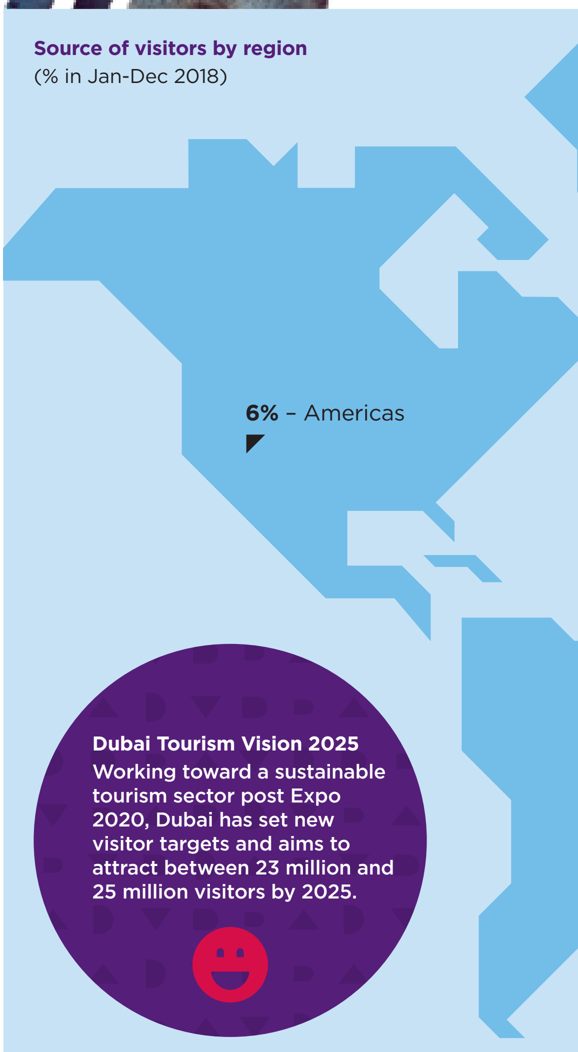
Fourth most visited city

Dubai was on track to be the fourth most visited city in the world in 2018 with a top-ranked spend by overnight international visitors of $30 billion.*

USD

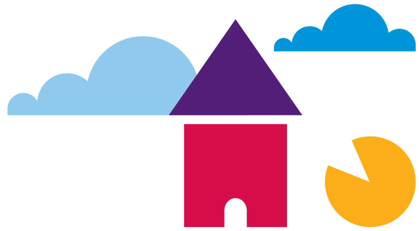
30bn

*Source: Mastercard Destination Cities Index



Dubai Tourism Vision 2025

Working toward a sustainable tourism sector post Expo 2020, Dubai has set new visitor targets and aims to attract between 23 million and 25 million visitors by 2025.

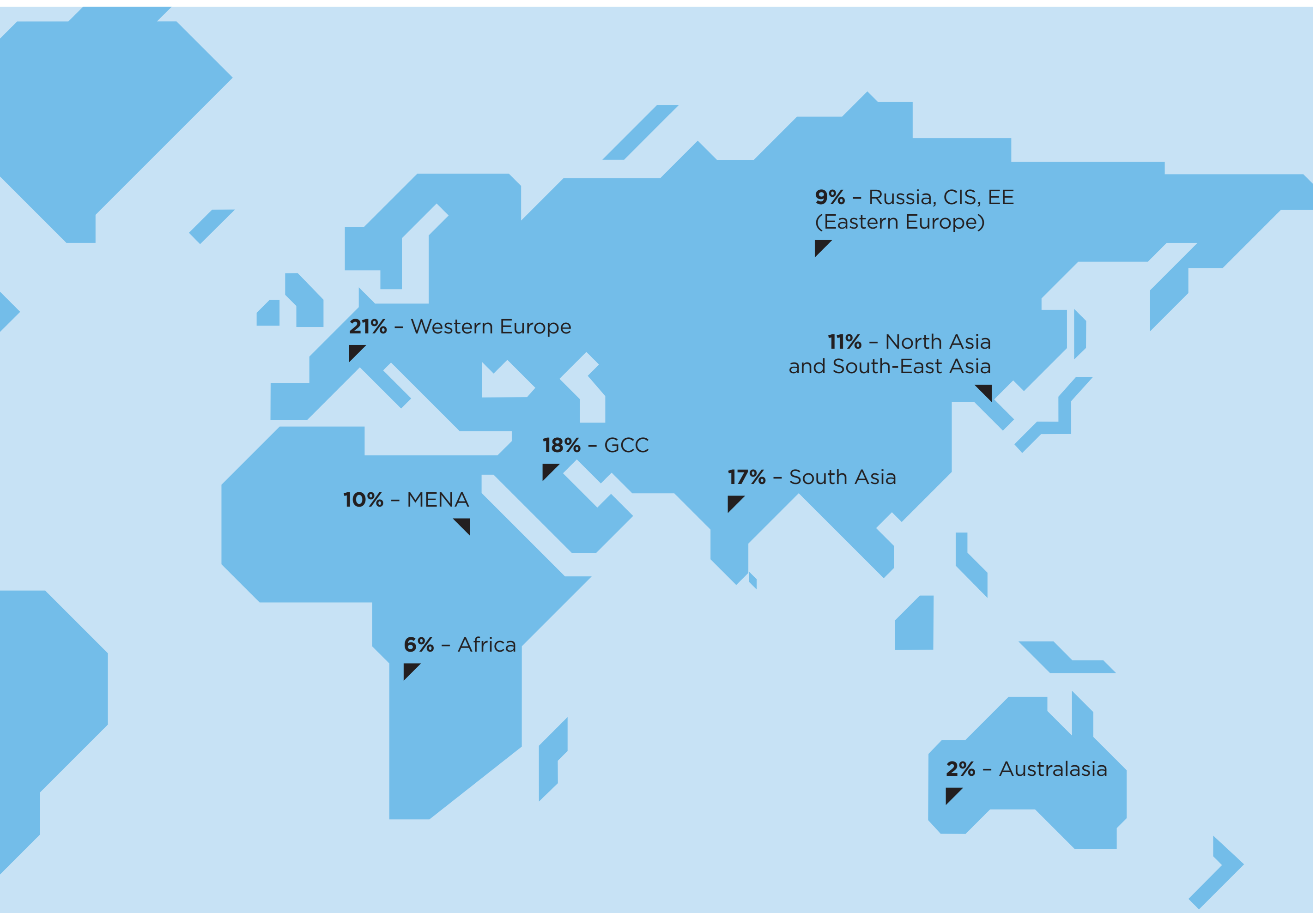


Visitors from top 10 source markets
Jan-Dec 2018 ('000 visitors)

India	2,032	Russia	678
Kingdom of Saudi Arabia	1,568	USA	656
UK	1,212	Germany	567
China	857	Pakistan	513
Oman	829	Philippines	387

Total inbound tourists to Dubai
(Jan-Dec 2018)

15.92m



Source: Department of Tourism and Commerce Marketing (DTCM)

Perfecting the guest experience

By understanding and tracking each step of the guest journey we ensure we are responsive to the needs of our customers, continuously improving our offering and delivering on our promise to offer best-in-class guest experiences. Essential to this process is listening to our employees, harnessing their knowledge and learnings, working together collaboratively to deliver on guest expectations – before, during and after their visit.

Planning		Pre-arrival	
Awareness	Consideration	Information	Decision
TV/radio	Amazing products	Social media	✓
Online/web	Affordable price	Guest service	✓
Posters/journals	Convenient location	e-Marketing	✓

An essential part of our adaptive process is that we listen to our staff and harness their knowledge of our attractions and customers.

Participation		Post-journey		
Visit	Experience	Post-experience	Feedback	Loyalty
Arriving	Attractions	Excitement	Satisfied	✓
Greeting	Food and Beverage	Safety and hygiene	Recommended	✓
Ticketing	Shopping	Memories	Award-winning	✓

Empowerment through listening and innovation

We have a structured and well-defined recruitment process which is streamlined and efficient.

A values-based ethos

Promotes engagement of our employees with the business, which in turn translates into a continuously evolving and best-in-class guest experience.

We have set out to develop an innovation hub by adopting a comprehensive framework to manage all our activities, including evaluating employee suggestions with the aid of an idea-gathering tool called FIKRA™ (fikra being the Arabic word for idea).

It is a system that encourages participation at every level of the organisation and has as its heart the objective to refine or perfect the guest experience and provide operational efficiencies.

In 2018, almost 150 ideas to enhance guest experience were received from our employees, of which to date a number have been implemented with the remainder under evaluation.

As is normal in any industry, but especially in the highly competitive leisure and entertainment space, retention of key staff can be a challenge, as is managing the highly cyclical nature of our business.

To mitigate this, we have a structured and well-defined recruitment process which is streamlined and efficient.

Furthermore we are able to leverage our relationships with outsource resource providers to meet short-term resourcing needs and scale up in response to demand cycles.

Empowering and engaging our employees at all levels of the business is our key priority. We want our people to feel that they have a voice, that their opinions matter and, crucially, that they work for a fair-minded employer who has their best interests at heart. This is our mission and all our HR initiatives are geared towards accomplishing it.

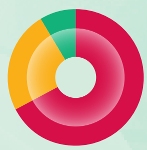
Ideas for guest experience

In 2018, almost 150 ideas to enhance guest experience were received from our employees, of which to date a number have been implemented with the remainder under evaluation.

150

Employee breakdown

(as at 31 December 2018)



Theme parks	1,324
Retail and hospitality	473
Corporate and shared services	166

1,963

Emiratisation

Our Emiratisation initiatives resulted in an Emiratisation ratio of seven percent at year end.

Unique insights from managing third-party assets

Management of the Meraas Group's Family Entertainment Centres and the Roxy Cinemas chain continues to provide sales and marketing synergies whilst allowing unique consumer insights and bundling opportunities across the wider portfolio of leisure and entertainment assets.

Family Entertainment Centres

A component of our strategy is the management of third-party-owned assets, allowing unique insights into the wider leisure and entertainment industry in Dubai and facilitating bundling and cross-promotion opportunities.

We continue to utilise our experience from the FEC assets to better understand our consumer preferences. Our initiatives to increase footfall, target new customers and improve overall customer experience have proven to be successful.

3,000 plants and animals in The Green Planet, spread across four levels

3,000

Our Family Entertainment Centre (FEC) experiences are located in high footfall areas, integrated into the popular retail and dining districts of City Walk, Boxpark and The Beach, with a wide appeal to residents and tourists. The overall FEC market continues to grow in the UAE and across the region and we are confident that with our proven track record of success in the space we will be able to leverage our experience across new opportunities as they arise.

We continue to utilise our experience from the FEC assets to better understand our consumer preferences. Our initiatives to increase footfall, target new customers and improve overall customer experience have proven to be successful.

Looking forward, we are confident about adding to our management portfolio and we will continue to target new opportunities both within the UAE and across the region.

Hub Zero

18 attractions spread over four gaming zones

18

Mattel Play Town

Five world-recognised brands: Barney™, Thomas & Friends™, Bob the Builder™, Angelina Ballerina™, and Fireman Sam™

5

Delivering excellence to ensure the highest standards of health and safety

Awarded the latest ISO Certification for Quality Management Systems, Environmental Management Systems, and Occupational Health and Safety Management Systems in recognition of efforts to widen sustainable development implementation.

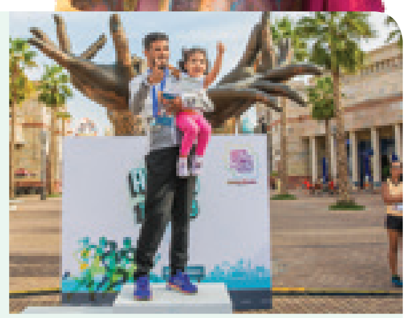
We are committed to protecting the health, safety and environment of our employees, guests, external providers and other relevant parties.

Safety being our primary concern, all our rides and attractions are built and installed to international standard EN13814. They are also inspected and certified annually by TUV, an international third-party body, in line with international regulations and best practice.

We also reinforce our safety processes through staff training and certification, including park and ride evacuation drills, and educate our guests to take the necessary precautions when using the various attractions. We work closely with our operators, including Merlin Entertainments and Parques Reunidos, who are renowned for their stringent HSE standards.

Supporting our community

Our corporate social responsibility strategy is underpinned by our overarching values and ethos that builds outreach into our communities.



Community support and engagement

We continue to participate in a variety of CSR and outreach initiatives, including the Dubai Fitness Challenge and partnering with the Dubai Blood Donation Centre as well as numerous health and fitness programmes.

In 2018, our initiatives were recognised by the award of the prestigious CSR Label from the Dubai Chamber of Commerce.

Delivering international visitation

Our strategy focuses on delivering international visitation to DPR, targeting an international visitor mix of upwards of 60 percent. This is essential in order to reach our targeted EBITDA break-even during the second half of 2020. Our ongoing hotel development program, which will deliver over 1,300 rooms to the destination by 2020, is core to delivering our strategy and will be supported by our strategic partnerships with international brands and the marketing initiatives of Dubai Department of Tourism and Commerce Marketing.

The increasing occupancy at the Lapita Hotel™ and the resultant positive impact on visitation has shown the success of our on-site hotel offering and provides a strong benchmark for the launch of both the third-party owned and operated Rove Hotel and the LEGOLAND® Hotel, a joint venture with our partner Merlin Entertainments.

As well as driving additional visitation to the parks through hotel guests, our hotel strategy presents us with an opportunity to enhance the destination's appeal to international markets, and sell premium and higher-margin packages that include both accommodation and entry to the theme parks rather than just individual tickets or hotel nights.

We will continue to work closely with our market-leading strategic partners such as Emirates Airline, Dubai Airports, Dubai Duty Free, Jumeirah Group and Dubai Tourism & Commerce Marketing to build pre- and post-arrival awareness as well as spearheading key initiatives such as our participation in the Hala China initiative to encourage visitation from the Chinese market.

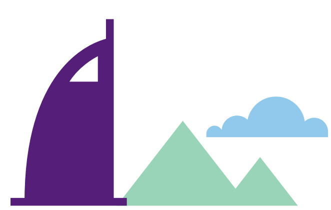
Our marketing will increasingly be directed from domestic to international with a particular focus on those markets within the shortest flight times to Dubai such as the Kingdom of Saudi Arabia and the Indian subcontinent.

DPR was built with a long-term vision and is strategically located between Dubai and Abu Dhabi, in the heart of new Dubai and close to Al Maktoum International Airport, Dubai South and Expo 2020. As we move closer to the launch of Expo 2020 and as the state-of-the-art new city emerges we expect to see a ramp-up in our visitation.

Our cost base has reduced 21 percent year-on-year and we will continue to maintain tight control over our costs without impacting customer experience. Our partnership with world-class operators Merlin Entertainments, Parques Reunidos and Marriott International continues to deliver the highest standards in customer service to our visitors, ensuring a best-in-class offering whilst leveraging their experience to optimise costs.

Our Bollywood Parks™ Dubai turnaround strategy is underway and yielding positive results. At the time of writing we are recommending to our shareholders to approve the enhancement of MOTIONGATE™ Dubai and Bollywood Parks™ Dubai through the introduction of a select portfolio of 10 to 12 rides, including world-record rides. By doing so we aim to broaden our demographic appeal, increase dwell times, per-capita spend, and encourage repeat visitation.

DPR by its nature is a long term project and we are confident that we are making progress towards our long-term strategic plan of being the preferred theme park destination in the Middle East, while being profitable. Our short-term goal remains to achieve EBITDA break-even, which we anticipate during the second half of 2020.



Hotel rooms by 2020

+1,300

Year-on-year reduction in cost base

21%

Board of Directors

Abdul Wahab Al-Halabi
Chairman and Independent Director

Abdul Wahab Al-Halabi is the Group Chief Investment Officer of Equitativa Group, a diversified financial services group that is involved in asset management, wealth management and private equity. He is also Chief Executive Officer and Board Member of Global Investment House, a Kuwait-based investment group.

He has more than 20 years' experience in the real estate sector, with expertise in financial restructuring, crisis and debt management, credit enhancements and joint ventures. Previously he was the Group Chief Investment Officer of Meraas Holding, a partner at KPMG and has acted as Chief Executive Officer of Dubai Properties, a member of Dubai Holding.

He holds a BSc Economics from London School of Economics and an Executive MBA from Ecole Nationale des Ponts et Chaussées. He is a Fellow of the Institute of Chartered Accountants in England and Wales and is a member of the UK-based Securities Institute.

Mukesh Sodani
Vice Chairman and
Non-Executive Director

Mukesh Sodani has over three decades of experience in finance and investments across various industries. In 2017, Mukesh joined Meraas as Chief Financial and Investment Officer, subsequently becoming Deputy Chief Executive Officer. Previously he was Chief Financial Officer of Flydubai where he was an integral part of the airline's growth strategy.

Before joining Flydubai in 2011, Mukesh was Group Chief Financial Officer of a real estate conglomerate in Dubai. He has also held senior management positions with Noor Bank, Emirates Airline Group and Dnata. He started his career in finance with one of the Big Four audit firms in Kuwait and Dubai.

Mukesh qualified as a member of the Institute of Chartered Accountants, India, in 1987 before gaining Certified Public Accountant (CPA) and Certified Internal Auditor (CIA) qualifications in the US. He also has a diploma in Business Finance from the Institute of Chartered Financial Analysts of India.

Mohamed Almulla
Executive Director

Mohamed Almulla was appointed Chief Executive Officer of DXB Entertainments PJSC in June 2017. Mohamed brings extensive experience from a wide range of media and entertainment business segments, including radio and TV broadcasting, printing & publishing, digital media, out of home advertising, event management, parks and attractions.

He was previously Chief Executive Officer at the Arab Media Group where he oversaw all operational aspects of the group's three major business units: Arabian Radio Network, Done Events and Global Village. Since his appointment in 2008, Mohamed steered the group towards market growth through innovation in the entertainment sector and new customer-centric strategies.

Prior to joining the Arab Media Group, Mohamed held several leadership positions within the TECOM Group, including Executive Director of Dubai Media City, where he led the consolidation of the business hub's international status whilst playing a key role in attracting leading global media brands to the region.

Mohamed holds a Bachelor of Science degree from the University of Toledo, Ohio, USA.

Amina Taher
Independent Director

Amina Taher was appointed as Etihad Aviation Group's Vice President Corporate Affairs in May 2017. She is responsible for setting the group's global communications strategy, managing and safeguarding its brand, providing counsel and overseeing the group's engagement with a number of its key stakeholders. Before joining Etihad, Amina was Head of Social Development and Sponsorship in the Group Communications Unit at Mubadala Investment Company, where she was responsible for assessing, managing and activating Mubadala's sponsorship portfolio.

Prior to Mubadala, Amina was the Executive Director of Corporate Communications at Zabeel Investments and has also held various roles with Dubai Holding and General Motors.

Amina holds a Master of Public Administration (MPA) degree from Harvard University (USA) and a Master of Business Administration (MBA) degree from the London Business School (UK). She also has a Bachelor of Science degree in Applied Media Studies, graduating with honours from the Higher Colleges of Technology (UAE).

Shravan Shroff
Independent Director

Shravan Shroff is currently Partner at Rosewood Portal Company LLC, a Dubai-based company engaged in online aggregation of tourist villas and other online solutions. He began his career in 1997 with Shringar Films, the family run film distribution business where he pioneered the concept of outsourced screen programming and multiplexing. Under his leadership the group rolled out a chain of 25 multiplexes with over 100 screens in India under the brand name FAME, which he sold to Inox Leisure Ltd. in 2011.

In 2013, Shravan co-founded VentureNursery, India's first angel-based accelerator, that incubates and supports start up companies in various domains.

He is a graduate from Mumbai University and holds a Masters in Business Administration from the Melbourne Business School. Shravan is also an active member of the Mumbai chapter of the Young Presidents Organization (YPO) a US-based non-profit organisation, and is the current Membership Chair of the Mumbai Chapter. He has served on the Censor Board of India from 2008 to 2012.

Malek Al Malek
Independent Director

Malek Al Malek is the Group CEO of TECOM Group where he has led the transformation of TECOM Group's communities into destinations for innovation, attracting some of the world's most advanced businesses and entrepreneurs.

Through his endeavours, he has promoted entrepreneurism, built an intellectual framework, and helped create a unique business environment that attracts investment from Fortune 500 firms who are contributing to shaping Dubai into one of the innovative cities of the world. Additionally, Malek pioneered the launch of in5, an integrated innovation platform that has created, within Dubai, a distinctive and well-rounded ecosystem for entrepreneurs and start-ups. Malek is an active participant in the development of the UAE's education sector through his role on the Board of Trustees at the Higher Colleges of Technology (UAE), and Chairman of the Dubai Institute of Design and Innovation. Malek is also a member of various Boards including the Board of Directors at the Mohammed Bin Rashid Library, the National Media Council, and Emirates Integrated Telecommunications Company (du).

Previously, he was a member of Dubai Freezone Council, as well as a board member of Energy Management Services International, Smart City Kochi (India), and Smart City Malta. Malek joined TECOM Group in 2002 and last served as CEO of TECOM Business Parks.

He holds a Bachelor's Degree in Business Management from the Higher Colleges of Technology (UAE).

On behalf of the Board of Directors of DXB Entertainments PJSC (the Company) and its subsidiaries (collectively the Group) we are pleased to present the fourth annual Board report which covers the financial results for the year ended 31 December 2018 (the period).

2018 was our first year of full operations, with all parks and attractions open to paying customers. We first launched Dubai Parks and Resorts on 31 October 2016, when LEGOLAND® Dubai opened its doors to guests. The remaining parks and attractions opened in a staggered manner, with the LEGOLAND® Water Park opening on 2 January 2017, and the last rides and attractions opening to the public on 20 October 2017, with the official launch of the world's first The Hunger Games attractions at the Lionsgate Zone at MOTIONGATE™ Dubai. We are now the region's largest integrated theme park destination.

We are pleased to report steady growth in both our visitation and hotel occupancy for the year 2018. Theme park visitor numbers reached almost 2.8 million in 2018, representing year-on-year growth of 22 percent, while full-year occupancy at Lapita™ Hotel significantly increased to 60 percent from 35 percent in the previous year, with Q4 delivering 63 percent occupancy and December peaking at 72 percent, including several days of close to 100 percent occupancy.

The parks are building a loyal customer base, with 27 percent of total visits generated from annual passes and 34 percent from multi-park tickets. Of the total annual passes sold in 2018, 61 percent were for all parks, with the remaining split among two parks tickets and single park tickets.

In line with our strategy to initially drive resident growth, we delivered 1.7 million resident visits in 2018, up from 1.4 million in 2017, representing growth of 17 percent with healthy overall penetration rates. While we have ramped up international visits, delivering 1.1 million visits in 2018, up from 0.8 million in 2017, international visitation growth remains below expectation and is a key area of focus for the management team and the Board of Directors (Board). Our model was built on an expectation of upwards of 60 percent international visitation and the full potential of the destination will be delivered only when this is achieved. In 2018, international visitors made up 40 percent of visits, with the largest contributors coming from the GCC and the Indian subcontinent. The remaining 60 percent consisted of resident visitors from our home market in the UAE.

2018 was the year of strategic partnerships for the Company, which saw Dubai Parks and Resorts successfully tap into the UAE's fantastic tourism infrastructure. The Company forged strategic partnerships with Dubai Airports, Emirates Airlines and Roads & Transport Authority's Dubai Taxi Corporation to target passengers on arrival in Dubai and to support international visitation.

With China being a key source market for us, during 2018 we also partnered with the leading Chinese payment gateway, UnionPay and with Hala China, a Dubai initiative in partnership with Emirates Airline, Dubai Holding and Meraas Group, to cater to Chinese visitors.

A central pillar of our strategy, which is in line with other international theme park destinations, is to continue to add hotel inventory through third parties and joint ventures. By doing so, we will grow our international visitation and increase both length of stay and the propensity for multi-park visitation. We are therefore pleased to report that we made good progress during 2018 towards this strategy, and that we are on track to deliver over 1,300 keys by 2020. The third-party owned and operated 579-key Rove Hotel is slated for opening in H2 2019 and the 250-key LEGOLAND® Dubai Hotel joint venture with Merlin is scheduled for opening in H1 2020.

Key Milestones

On 8 August 2018, Abdul Wahab Al-Halabi was appointed Chairman of the Group following the resignation of His Excellency Abdulla Al Habbai. We extend our gratitude to His Excellency for his hard work, dedication and commitment to making Dubai Parks and Resorts the region's largest integrated theme park destination.

Theme park visits

Theme park visits reached almost 2.8 million in 2018, representing year-on-year growth of 22 percent.

2.8m

Support from Meraas Group

We received further support from our majority shareholder Meraas Group in the form of AED 1.2 billion of convertible bonds.

AED

1.2bn

Also during the year 2018, Mr. Edris Al-Rafi left his position on the Board. We would like to thank him for his commitment to the business and the management team. Mr. Malek Al Malek, CEO TECOM Group, was appointed as an Independent Director to the Board. The Board of Directors currently has one vacant seat that will be filled in due course in 2019.

During the year 2018, we received further support from our majority shareholder Meraas Group in the form of AED 1.2 billion of convertible bonds, inclusive of the AED 700 million subordinated shareholder loan facility already made available to the Group. The convertible bonds have a maturity date of 30 June 2026, an 8 percent deferred coupon rate compounded quarterly and a conversion price of AED 1.04 per share.

In March 2018, we received additional support from our financing partners, with whom a debt realignment was concluded resulting in a three-year moratorium on principal repayments and covenant testing. The Board and the management team are grateful for the continued support from our shareholders and financing partners.

Liquidity overview

As at the year ended 31 December 2018, the Group has cash balances of AED 1.8 billion of which AED 0.2 billion is restricted or ring-fenced cash, mainly related to our debt service reserve account and AED 0.7 billion is related to the Six Flags Dubai project resulting in AED 0.9 billion of available cash balances. Post period, the Directors have assessed the forecasts prepared by management and have concluded that the Group has sufficient resources to meet its current obligations for a period of at least 12 months from the signature of these consolidated financial statements.

In making its assessment of future operating cashflow requirements, management and the Directors have concluded that cash previously intended for settlement of outstanding Phase 1 construction liabilities will be utilised for underlying operational payments and that remaining Phase 1 construction liabilities will be settled over an extended period of more than five years.

As previously reported in March 2018 the Group successfully realigned its AED 4.2 billion financing facility resulting in a three-year moratorium on principal repayments and covenant testing with no increase in margin.

In addition, the Group issued AED 1.2 billion in convertible bonds to its majority shareholder Meraas Group, inclusive of subordinated loans already drawn. As at 31 December 2018, the convertible bonds were fully issued.

As a result of the impairment charge described below, the Group has accumulated losses of AED 4.3 billion, which exceed 50 percent of the issued share capital. As per article 302 of the UAE Federal no 2 of 2015, the Board intend to convene a General Meeting of the Shareholders to be held on 24th of April 2019 for the Shareholders to resolve for the Group to continue operations.

Impairment of non-financial assets

Due to the delayed ramp up of international visitation, the management team and the Board have assessed that there is a reduction in the asset values of the Group's primary asset Dubai Parks and Resorts. Whilst the Board feel that it is early to assess the financial performance of a market-leading asset that is by nature a long-term commercial proposition, on the basis of prudence and in accordance with international accounting standards an impairment provision is required.

Accordingly, the Group has recognised a non-cash impairment charge of AED 991 million in these consolidated financial statements, with a consequent reduction in the value of property and equipment. This accounting adjustment does not impact the underlying operations of the Group.

Furthermore, subsequent to the year-end and in relation to the Six Flags Dubai project (described below) management has assessed the carrying value of assets related to the project and held on the balance sheet at the year-end as well as related future commitments. This assessment has indicated that certain assets, mainly related to infrastructure, facilities, intellectual property fees and professional fees may not be recoverable and accordingly, an impairment and other related charges of AED 551 million have been recognised. Land, the related sub-station and rides have been assumed to have enduring value and remain capitalised on the balance sheet.

Six Flags Dubai

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

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 finance facility intended for utilisation as part of the development of the Six Flags Dubai branded theme park, is no longer available, and the Six Flags Dubai project cannot proceed in its current form at this time.

Consequently, the Board has updated the strategic review for this and are recommending to the shareholders a repurposing of the remaining rights issue proceeds as part of an expansion plan whereby a select portfolio of rides will be utilised to enhance MOTIONGATE™ Dubai and Bollywood Parks™ Dubai, including the installation of thrill rides and record-breaking coasters as well as family-friendly rides in Bollywood Parks™ that will widen the demographic appeal of the parks and drive dwell times. Additionally, part of the capital requirement for the already announced Bollywood Parks™ Dubai enhancement plan, commenced during 2018 will be offset. Remaining rides will be stored and installed as part of ongoing annual enhancement capex. To the extent that there are remaining funds available, these would be transferred for utilisation in the existing operations. Shareholders will be asked to pass a resolution in this regard at the Annual General Meeting to be held on 24 April 2019.

Operations

Our key focus in 2018 and beyond has been to drive visitation from international tourists whilst gradually increasing yield by sensitively increasing pricing. To that end, we are focusing our marketing efforts on our key international source markets, including the GCC, the Indian subcontinent, China, Russia and the UK with a special focus on those markets with the closest travel times i.e. the GCC and the Indian subcontinent.

Concurrently, we implemented our first round of price increases in October 2018 for both day tickets and annual passes. Annual passes are offered with attractive incentives to encourage renewals. With regard to our partner relations, we are gradually moving from a bulk and volume-based strategy to incentive-based pricing, rewarding our tour and travel partners on delivery of annual revenue targets.

As discussed previously and similar to other international theme park destinations, the introduction of further hotel rooms to the destination will be a key driver of growth in international visitation, providing an attractive sales proposition for our international sales team, facilitating bundling of our theme park tickets with hotel stays and ultimately increasing length of stay, visitation and dwell times.

LEGOLAND® Dubai Hotel will open in the first six months of 2020, which will add a further 250 family-sized rooms to Dubai Parks and Resorts. LEGOLAND® Dubai Hotel will be a first-of-its-kind offer in the region and will enable Dubai Parks and Resorts to attract a greater number of families with hotel package deals. In addition, the third-party owned, and operated Rove Hotel will open in 2019, adding 579 rooms targeted at our value focused visitors. Including the Lapita™ Hotel, Dubai Parks and Resorts will offer over 1,300 rooms by 2020.

We continue to place customers at the heart of all we do. During the course of 2018, we actioned on customer feedback and implemented key operational changes. With regards to our car parking, we made general admission parking free for all customers. Customers can now park directly adjacent to our theme parks, reducing their journey time. For the hot summer months, we further upgraded the customer journey to ensure the shortest journey time to the theme parks whilst providing refreshments along the way.

Bollywood Parks™ Dubai is a first of its kind entertainment park and whilst popular among visitors, our customer feedback suggested the need for a more authentic South Asian experience, as well as more family-oriented rides and attractions. We listened to our customers and during 2018, we kicked off an enhancement plan and launched 11 new live street entertainment shows, including folk-dances, cultural performances and Bollywood-themed acts. The winter concert 2018 season was a success and generated excellent customer feedback. The enhancement plan will continue in 2019 with the implementation of a revised food and beverage and merchandise strategy and with the installation of new rides, expanding the current seven-ride offering. These enhancements will increase dwell time and encourage repeat visitation.

In April 2018, our second Big Day Out delivered a record visitation of over 36,000 visits, showing the success of our promotional and marketing initiatives.

LEGOLAND® Dubai Hotel

LEGOLAND® Dubai Hotel will open in the first six months of 2020, which will add a further 250 family-sized rooms to Dubai Parks and Resorts.

250

Big Day Out

In April 2018, our second Big Day Out delivered a record visitation of over 36,000 visits, showing the success of our promotional and marketing initiatives.

36,000

Whilst the business is in its ramp-up phase, we continue to optimise our cost base making further savings, particularly in employee and service contract related costs. In 2018 our operating costs were AED 728 million, a 21 percent improvement on the AED 925 million in 2017 with employees reducing from 2,224 in December 2017 to 1,963 in December 2018. We do however continue to preserve our marketing spend which was AED 99 million in 2018, with spend increasingly directed towards our international source markets.

Post period, Mr. Paul Parker assumed the role of Chief Commercial Officer responsible for all aspects of sales, marketing, digital and strategic partnerships. Paul brings with him a wealth of international sales and marketing experience, combined with a detailed understanding of the regional market and the leisure and entertainment industry.

Financial Overview

The Group reported revenues of AED 541 million for the year ended 31 December 2018, marginally lower than the AED 552 million in 2017. On a like-for-like basis, which excludes one-time prior year project management revenues of AED 22 million, revenue increased by 2 percent.

Our theme parks remain our biggest revenue generator, with AED 367 million revenue reported in 2018. Whilst we made good progress in driving higher visitation numbers, as anticipated with the introduction of the new pricing strategy in 2018, theme park revenues remained flat compared to last year.

Total assets

Total assets at the end of 2018 were AED 10.7 billion.

AED

10.7bn

In addition, we reported revenue of AED 92 million from Hospitality and AED 30 million from Retail. Hospitality revenues increased by 50 percent year-on-year, driven by strong growth in average occupancy to 60 percent from 35 percent in the prior year. In Retail, we continued to offer rent relief to our tenants in Riverland™ Dubai, implementing a revenue share model for the short-term while our long-term operational strategic review is ongoing.

Being a seasonal business, we continue to see better performance during the cooler winter months, with lower visitation during the hot second and third quarters of the year, which is in line with our expectations.

The loss for the year ended 31 December 2018 was AED 2,543 million compared to AED 1,116 million in 2017. However, this includes one-time impairment charges of AED 1,542 million. Excluding the one-time impairment charges, the loss for the year was AED 1,001 million. It is also important to note that included within net loss is AED 474 million of non-cash depreciation which is natural for a project of this scale and AED 318 million of net interest charges of which AED 51 million relates to non-cash interest from the issuance of convertible bonds.

Operating cost for the year was AED 728 million, a 21 percent improvement compared to the prior year, a strong signal that our ongoing cost-saving initiatives are taking effect. As a result, EBITDA loss, which is the key financial metric for our business, reduced to AED 210 million for the year compared to AED 422 million in 2017, a 50 percent improvement.

Total assets at the end of 2018 were AED 10.7 billion, primarily comprising AED 8.8 billion in property and equipment, investment properties, inventories and trade and other receivables, in addition to AED 1.8 billion in cash and other financial assets.

As noted earlier, we have fully drawn the AED 1.2 billion convertible bond from Meraas Group during 2018 and re-aligned our Phase 1 syndicated bank facility of AED 4.2 billion by achieving a three-year moratorium on principal repayments and covenant testing until March 2021.

Looking Ahead

The principal focus for 2019 is to maintain our cost base whilst continuing to grow visitation with an emphasis on tourist visitation from our key international source markets. The opening of the Rove Hotel in H2 2019 will provide a further boost in visitation to the destination and we are working hard to ensure an on-time delivery and successful launch of the LEGOLAND® Dubai Hotel thereafter.

We will continue to enhance our destination with our Bollywood Parks™ Dubai enhancement plan continuing in 2019, improving customer experience, driving visitation and increasing per capita spend. Riverland™ Dubai remains under review.

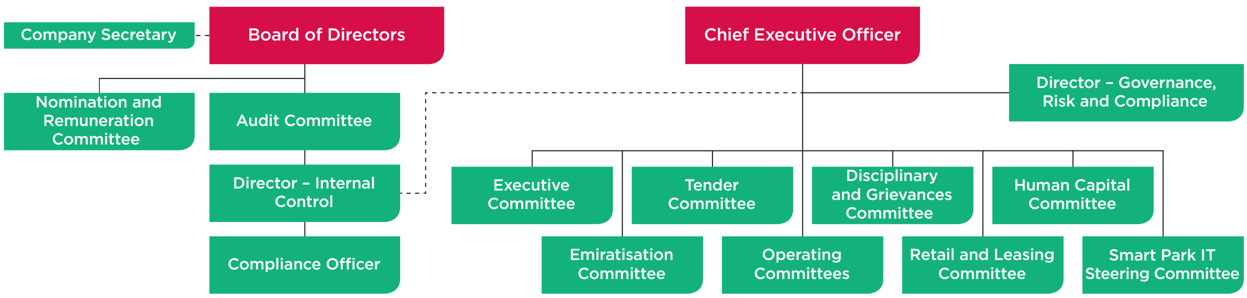
Finally, we would like to take this opportunity to thank our employees, operators, financing partners, Meraas Group and our other shareholders as well as the Government of Dubai and the UAE Federal Authorities for their continued support in ensuring that we can deliver on our target to reach profitability.

Abdul Wahab Al-Halabi
Chairman

Mohamed Almulla
Chief Executive Officer and
Managing Director

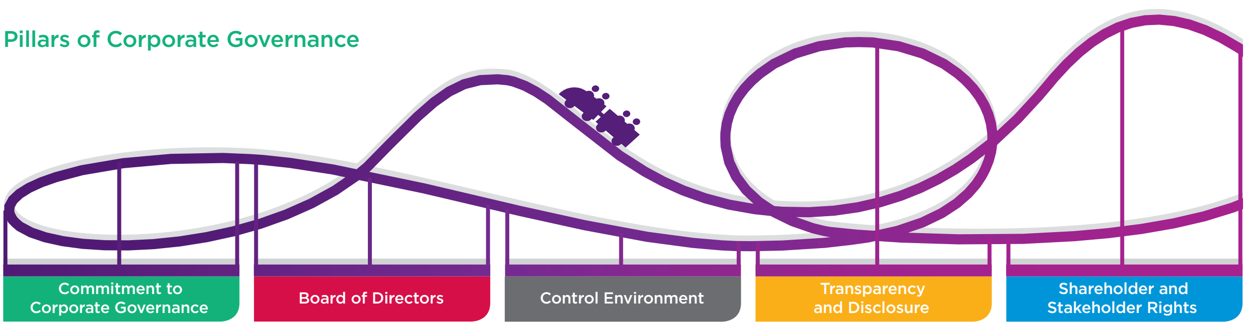
DXB Entertainments PJSC (the Company) is committed to standards of corporate governance that are in line with international best practice, as well as following the directives of SCA's Resolution No. (7 R.M) of 2016 Concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies (Governance Rules).

Overview of Corporate Governance Structure



The Board of Directors conducts assessments of its own performance and that of its committees on an annual basis, presenting the results to the Board in the form of a report with recommendations for improvement, if any, as well as a follow-up action plan.

Pillars of Corporate Governance



Transparency and Disclosure

Transparency and disclosure is one of the key considerations for the Company when publishing information. The Board ensures that all disclosures provide sufficient, accurate and true information for shareholders and investors. We have a separate Investor Relations department, which is accessible to investors through the Company website. All Company-related communications issued are archived on the website, including all financial statements, annual reports and public statements, and the contact details of the Investor Relations department is provided in case further clarification is required.

The Company is committed to conducting its affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty and integrity, and all employees of the Company are expected to maintain the same standards.

Shareholder and Stakeholder Rights

The Company is committed to promoting shareholders' confidence by implementing internal controls which ensure that dealings in the Company's securities take place in an ethical, transparent and informed manner. The Company therefore has a Share Dealing Policy in place regarding the dealings in its securities by Directors, Executive Management, employees and third parties as specified in the Share Dealing Policy.

The Company ensures that all shareholders are treated equally and fairly. All shares issued by the Company are ordinary shares with equal rights and equal obligations. All rights associated with the shares are vested in the shareholder. The Company's processes and procedures ensure that the shareholders are able to exercise all of their regulatory rights duly and fairly, in line with the applicable laws and regulations. The Dividend Policy has been developed in line with the best interests of shareholders and the Company with respect to dividend distribution.

The Company considers the interests of its stakeholders, which include its employees, suppliers, shareholders, creditors, clients, prospective investors, and any other person having an interest in the Company and its activities.

Our Board of Directors acknowledges that the interests of the Company are served by recognising the interests of stakeholders and their contribution to the long-term success of the Company.

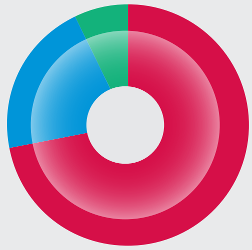
Shareholder Information

Shareholder composition as at 31 Dec 2018

Meraas Group	52%
Qatar Holding	11%
Kuwait Investment Authority	5%
Institutional	13%
Retail	19%

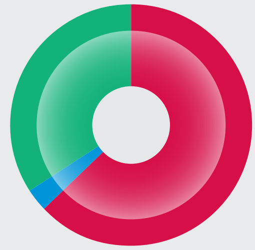
Institutional investor holdings by geography

UAE	72%
GCC	21%
Rest of the World	7%



Retail investor holdings by geography

UAE	63%
GCC	3%
Rest of the World	34%



Financial calendar

Principal dates for our 2019 financial calendar are:

24 April 2019:
General Assembly meeting at Lapita™ Hotel

Week of 13 May:
Q1 2019 financial results

Week of 12 August:
Q2 2019 financial results

Week of 11 November:
Q3 2019 financial results

Key shareholder contacts

Registrar:
Dubai Financial Market
PO Box 9700, Dubai
United Arab Emirates

Independent Chartered Accountants and Registered Auditors
Deloitte & Touche Middle East
Building 3, Level 6, Emaar Square
PO Box 4254, Dubai
United Arab Emirates

Company Secretary
Tessa Maree Lee

Investor Relations
Marwa Gouda
IR@dxbentertainments.com
www.dxbentertainments.com/investor-relations

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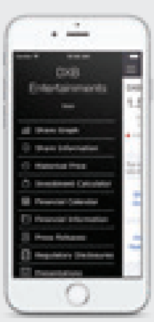
+971 4 820 0820
contact@dxbentertainments.com
www.dxbentertainments.com



Play Store

App Store

DXB Entertainments IR App
Our IR App will keep you up-to-date with the latest developments – from latest share prices and press releases, to investors' days, financial results and our reports library on the go.

Download DXB Entertainments IR App from the App Store

1. Corporate Governance

DXB Entertainments PJSC (the "Company") recognises that sound corporate governance is fundamental to the success of its business and for delivering long-term benefits to the Company's stakeholders. The Company complies with and strives to exceed the corporate governance and regulatory requirements applicable to public joint stock companies listed on the Dubai Financial Market ("DFM") and adopts the highest standards of international corporate governance best practice.

The Company's Board of Directors (the "Board") is responsible for ensuring that the Company complies with its legal and regulatory obligations, enhancing the value of the shareholders' equity, achieving the Company's corporate objectives, providing oversight of the integrity of the Company's accounting and financial reporting systems, and ensuring an appropriate system of internal controls. The Board acts in accordance with its fiduciary duty to the Company, ensuring responsibility and accountability.

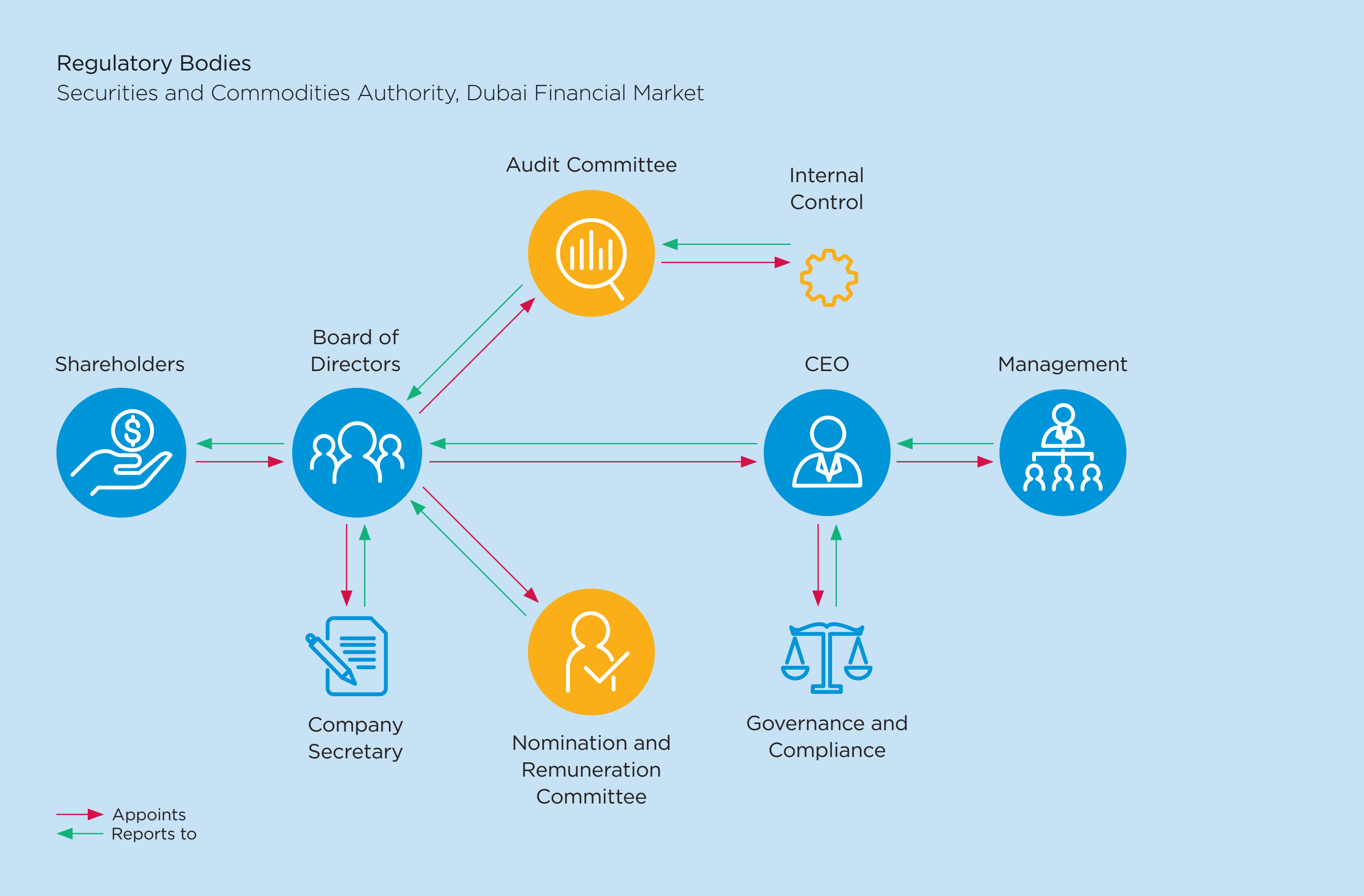
The Company strives to maintain transparent communication with its stakeholders to ensure that they are kept up-to-date in a timely manner, including disclosures to shareholders, the regulator, the market, and other stakeholders.

Corporate Governance Framework

In support of its commitment to the highest standards of corporate governance and corporate responsibility, the Board has established a robust corporate governance framework.

The corporate governance framework provides the structure that enables the Company to deliver on its values and principles.

The corporate governance framework is implemented by the Company's management team, and independently monitored for effectiveness by the Board and its committees, including the Audit Committee ("AC") and the Nomination and Remuneration Committee ("NRC"), and assisted by external and internal auditors and the Company officers and employees, including the Chief Executive Officer, Chief Financial Officer, Director of Internal Control, Compliance Officer and Director of Governance and Compliance.



The Company's independent Internal Control Department reports to and is overseen by the AC. The Compliance Officer is responsible for verifying compliance by the Company and its employees with applicable laws, regulations, resolutions and by-laws.

The Company's Governance and Compliance Department is headed by the Director of Governance and Compliance, who ultimately reports to the CEO, through direct reporting to the Deputy CEO. The Governance and Compliance Department is responsible for the internal corporate governance framework, including delegations of authority, policies and procedures and oversight of management committees.

The Company's Corporate Governance Manual forms an essential part of the corporate governance framework, and covers the following matters:

- Board structure and the role of the Company officers and directors;
- Board matters including Board director independence, liability remuneration, conflicts of interest, confidentiality and evaluation;
- Board and management committees;
- Stakeholder rights;
- Investor relations;
- Corporate social responsibility;
- Conduct and ethics;
- Whistleblower protection;
- Share dealing;
- Related party transactions;
- Market disclosures;
- Internal control and internal audit;
- External audit; and
- Governance, risk and compliance.

In accordance with its obligations, the Board ensures that appropriate disclosures are made of all material developments, and the Company maintains active shareholder communication. The Board has established the Company's Internal Control system and the active monitoring of and reporting on the resourcing, testing and effectiveness of the internal control system has been delegated to the AC.

The Company continuously reviews and improves its corporate governance framework and practices ensuring compliance with changes in the regulatory landscape as well as international best practices.

Corporate Governance Practice

Below are highlights of the Company's significant corporate governance developments and activities in 2018:

- The Board met six times in 2018 and passed resolutions by circulation during the year;
- Edris Al Rafi resigned from his seat on the Board on 25 March 2018, and the vacancy was filled with the appointment of Malek Al Malek.
- H.E. Abdulla Al Habbai resigned from his seat on the Board on 8 August 2018, and the Board members elected Abdul Wahab Al-Halabi as the Chairman of the Board via cumulative secret vote. The Company has carried out an extensive ongoing search to fill the vacancy which arose on the Board due to the resignation of H.E. Abdulla Al Habbai.
- As a result of his election as the Chairman of the Board, Abdul Wahab Al-Halabi resigned from his position as a member of the AC and as Chairman of the AC. Malek Al Malek was subsequently appointed to the AC and Shravan Shroff was appointed as Chairman of the AC.
- As a result of his election as the Chairman of the Board, Abdul Wahab Al-Halabi resigned from his position as a member of the NRC and Mukesh Sodani was subsequently appointed as a member of the NRC;
- The Board Charter and Board Committee Charters were reviewed and updated, ensuring that they remained consistent with the Board's and Committees' objectives and responsibilities, regulatory requirements and best practices;
- The Board reviewed and updated the Board Delegation of Authority detailing its reserved powers and those delegated to the Company's senior management;
- The Board approved a revised management structure for the Company;
- A new Compliance Officer for the Company was appointed;
- The NRC reviewed and confirmed that the Directors have complied with independence requirements;
- The Company management committees continued to oversee key aspects of the Company's operations and material risks;
- The Board and the AC continued to review and oversee the integrity of the Company's financial statements, significant financial reports to regulators and any other formal announcements relating to the Company's financial performance;
- The Board reviewed the Company's performance in light of the approved strategy and budget;
- The Board and Board committees' self-assessment evaluations were carried out to ensure the ongoing effectiveness of the Board in the governance of the Company;
- The AC recommended the continued appointment of the external auditors to the Company's shareholders as well as undertaking an annual assessment of the external auditors' performance;
- The Company's internal delegations of authority were continuously reviewed and updated to ensure operational efficiency while maintaining proper internal controls.

2. Share Dealing

The Company has adopted a share dealing policy that is applicable to all Board members, employees of the Company, and to vendors who have a contractual relationship with the Company. The policy includes guidance and policies on the share dealing framework, unpublished price sensitive information, restrictions, closed periods, share dealing notification, clearance, exemptions, dealing with breach of policy and implementation.

Board members must disclose if they or their first-degree relatives own Company shares. Board members wishing to trade must notify the Company Secretary and obtain approval prior to dealing in the Company's securities.

The Directors holding shares in the Company are as follows:

Name	Position	Shares owned 31 December 2018	Shares sold During 2018	Shares purchased during 2018
Mukesh Sodani	Director	6,500	Nil	Nil

3. Board of Directors

A. Composition of the Board

S/N	Name	Category (Executive, Non-executive and Independent)	Experience and Qualifications	Period served as a Board member since first election date	Memberships and positions in any other joint-stock companies	Positions in any other important supervisory, governmental or business entities
1	Abdul Wahab Al-Halabi	Chairman of the Board Vice Chairman of the Board Director (previously Non-Executive and now Independent)	Refer to page 45	8 August 2018 – 31 December 2018 9 December 2014 – 8 August 2018 9 December 2014 – 31 December 2018	Not Applicable	• Group Chief Investment Officer of Equitativa Group. • Board Member of Global Investment House PJSC, a Kuwait based and regulated financial services company. • Vice Chairman of Global Investment House, Saudi Arabia • Chairman of La Tresorerie Limited, a DIFC licensed and regulated financial services company. • Board Member of AA Infra (Middle East) Ltd. • Board Member of Mexican Grills Limited. • Board Member of Decker & Halabi DMCC • Board Member of Rapid Ventures Limited (ADGM FZE)
2	Mukesh Sodani	Vice Chairman of the Board Non-Executive Director	Refer to page 45	8 August 2018 – 31 December 2018 28 November 2017 – 31 December 2018	Not Applicable	• Deputy CEO of Meraas Holding LLC • Board Member of Dubai Hills Estate LLC • Board Member of Dubai Hills Estate Retail LLC • Board Member of Dubai Hills Estate Hospitality LLC • Board Member of Dubai Hills Estate District Cooling LLC • Chairman of Yvolv LLC • Chairman of M E Investments LLC • Board Member of Marsa Al Seef LLC. • Chairman of Urban Foods LLC • Vice Chairman of Zabeel Square LLC • Vice Chairman of Zabeel Square Retail LLC • Vice Chairman of Zabeel Square Hospitality LLC • General Manager of Meraas Healthcare LLC
3	Mohamed Almulla	Executive Director, Managing Director and Chief Executive Officer	Refer to page 46	28 November 2017 – 31 December 2018	Board member of Noor Bank PJSC	• Board Member of Noor Investment Group LLC • Deputy Chairman of Hala China LLC • Board Member of Al Jalila Cultural Centre for Children • Board Member of Hamdan Sports Complex

S/N	Name	Category (Executive, Non-executive and Independent)	Experience and Qualifications	Period served as a Board member since first election date	Memberships and positions in any other joint-stock companies	Positions in any other important supervisory, governmental or business entities
4	Amina Taher	Independent Director	Refer to page 46	28 November 2017 – 31 December 2018	Not Applicable	• Vice President Corporate Affairs of Etihad Aviation Group. • Board Member of The Middle East Public Relations Association. • Member at IAWA International Aviation Womens Association
5	Shravan Shroff	Independent Director	Refer to page 46	23 June 2016 – 26 March 2017 28 November 2017 – 31 December 2018	Not Applicable	• Director of Shringar Film Pvt Ltd. • Partner and Managing Director of RoseWood Portal Company LLC. • Board Member of Rapid Ventures Limited (ADGM FZE). • Managing Director of Rasikh Portal LLC. • Managing Director of Rhode Island Events Ticket Selling LLC. • Board Member of Rigveda Holdings Pte Ltd. • Board Member of Rathdowne Entertainment Pvt Ltd. • Board Member of Noumea Properties Pvt Ltd.
6	Malek Al Malek	Independent Director	Refer to page 46	25 March 2018 – 31 December 2018	Board Member of the Emirates Integrated Telecommunications Company (du)	• Group Chief Executive Officer of TECOM Group. • Board Member at the Mohammed Bin Rashid Library. • Board Member of the National Media Council. • Board Member of Higher Colleges of Technology • Chairman of Dubai Institute of Design and Innovation
7	Edris Al Rafi	Non-Executive Director	Refer to page 46	18 April 2017 – 25 March 2018	Vice Chairman of Noor Bank PJSC	• Vice Chairman of Noor Investment Group LLC • Board Member of Meraas Al Seef LLC to 3 April 2018

Note: The Board is composed of seven (7) directors. Due to the resignation of H.E. Abdulla Al Habbai as a director effective 8 August 2018, there remained a vacancy in the Board on 31 December 2018.

Experience and Qualifications of the Board Members

Abdul Wahab Al-Halabi

Abdul Wahab Al-Halabi is the Group Chief Investment Officer of Equitativa Group, a diversified financial services group that is involved in asset management, wealth management and private equity. He is also Chief Executive Officer and Board Member of Global Investment House, a Kuwait-based investment group. He has more than 20 years' experience in the real estate sector, with expertise in financial restructuring, crisis and debt management, credit enhancements and joint ventures. Previously he was the Group Chief Investment Officer of Meraas Holding, a partner at KPMG and has acted as Chief Executive Officer of Dubai Properties, a member of Dubai Holding. He holds a BSc Economics from London School of Economics and an Executive MBA from Ecole Nationale des Ponts et Chaussées. He is a Fellow of the Institute of Chartered Accountants in England and Wales and is a member of the UK-based Securities Institute.

Mukesh Sodani

Mukesh Sodani has over three decades of experience in finance and investments across various industries. In 2017, Mukesh joined Meraas as Chief Financial & Investment Officer and is currently the Deputy CEO. Previously he was Chief Financial Officer of Flydubai where he was an integral part of the airline's growth strategy. Before joining Flydubai in 2011, Mukesh was Group Chief Financial Officer of a real estate conglomerate in Dubai. He has also held senior management positions with Noor Bank, Emirates Airline Group and Dnata. He started his career in finance with one of the Big Four audit firms in Kuwait and Dubai. Mukesh qualified as a member of the Institute of Chartered Accountants, India, in 1987 before gaining Certified Public Accountant (CPA) and Certified Internal Auditor (CIA) qualifications in the US. He also has a diploma in Business Finance from the Institute of Chartered Financial Analysts of India.

Mohamed Almulla

Mohamed Almulla was appointed Chief Executive Officer of DXB Entertainments PJSC in June 2017. Mohamed brings extensive experience from a wide range of media and entertainment business segments, including radio and TV broadcasting, printing & publishing, digital media, out of home advertising, event management, parks and attractions. He was previously Chief Executive Officer at the Arab Media Group where he oversaw all operational aspects of the group's three major business units: Arabian Radio Network, Done Events and Global Village. Since his appointment in 2008, Mohamed steered the group towards market growth through innovation in the entertainment sector and new customer-centric strategies. Prior to joining the Arab Media Group, Mohamed held several leadership positions within the TECOM Group, including Executive Director of Dubai Media City, where he led the consolidation of the business hub's international status whilst playing a key role in attracting leading global media brands to the region. Mohamed holds a Bachelor of Science degree from the University of Toledo, Ohio, USA.

Amina Taher

Amina Taher was appointed as Etihad Aviation Group's Vice President Corporate Affairs in May 2017. She is responsible for setting the group's global communications strategy, managing and safeguarding its brand, providing counsel and overseeing the group's engagement with a number of its key stakeholders. Before joining Etihad, Amina was Head of Social Development and Sponsorship in the Group Communications Unit at Mubadala Investment Company, where she was responsible for assessing, managing and activating Mubadala's sponsorship portfolio. Prior to Mubadala, Amina was the Executive Director of Corporate Communications at Zabeel Investments and has also held various roles with Dubai Holding and General Motors. Amina holds a Master of Public Administration (MPA) degree from Harvard University (USA) and a Master of Business Administration (MBA) degree from the London Business School (UK). She also has a Bachelor of Science degree in Applied Media Studies, graduating with honours from the Higher Colleges of Technology (UAE).

Shravan Shroff

Shravan Shroff is currently Partner at Rosewood Portal Company LLC, a Dubai-based company engaged in online aggregation of tourist villas and other online solutions. He began his career in 1997 with Shringar Films, the family run film distribution business where he pioneered the concept of outsourced screen programming and multiplexing. Under his leadership the group rolled out a chain of 25 multiplexes with over 100 screens in India under the brand name FAME, which he sold to Inox Leisure Ltd. in 2011. In 2013, Shravan co-founded VentureNursery, India's first angel-based accelerator, that incubates and starts up companies in various domains. He is a graduate from Mumbai University and holds a Masters in Business Administration from the Melbourne Business School. Shravan is also an active member of the Mumbai chapter of the Young Presidents Organization (YPO) a US-based non-profit organisation, and is the current Membership Chair of the Mumbai Chapter. He has served on the Censor Board of India from 2008 to 2012.

Malek Al Malek

Malek Al Malek is the Group CEO of TECOM Group where he has led the transformation of TECOM Group's communities into destinations for innovation, attracting some of the world's most advanced businesses and entrepreneurs. Through his endeavours, he has promoted entrepreneurism, built an intellectual framework, and helped create a unique business environment that attracts investment from Fortune 500 firms who are contributing to shaping Dubai into one of the innovative cities of the world. Additionally, Malek pioneered the launch of in5, an integrated innovation platform that has created, within Dubai, a distinctive and well-rounded ecosystem for entrepreneurs and start-ups. Malek is an active participant in the development of the UAE's education sector through his role on the Board of Trustees at the Higher Colleges of Technology (UAE), and Chairman of the Dubai Institute of Design and Innovation. Malek is also a member of various Boards including the Board of Directors at the Mohammed Bin Rashid Library, the National Media Council, and Emirates Integrated Telecommunications Company (du). Previously, he was a member of Dubai Freezone Council, as well as a board member of Energy Management Services International, Smart City Kochi (India), and Smart City Malta. Malek joined TECOM Group in 2002 and last served as CEO of TECOM Business Parks. He holds a Bachelor's degree in Business Management from the Higher Colleges of Technology (UAE).

Edris Al Rafi

Edris Al Rafi is the former Chief Executive Officer of Dubai Holding, where he was responsible for developing and implementing the commercial and financial strategy for the overall Group. He was also Chief Commercial Officer at Meraas Holding. Edris brings more than 13 years of experience in investment banking and private equity. Prior to Meraas, Edris served as Head of UAE coverage at Goldman Sachs. He joined Goldman Sachs in 2008 to manage sovereign wealth funds, UAE commercial banks, and large UAE corporate clients including GREs for investment banking and securities business. Prior to Goldman Sachs he served as general manager at First Gulf Bank. He is also presently serving on the Board of Noor Bank PJSC. Edris holds a degree in finance from the Higher Colleges of Technology (UAE).

B. Female Representation

As on 31 December 2018, the Board included one female director who was appointed on 28 November 2017.

C. Board Remuneration for 2017 and 2018

The members of the Board were not paid any remuneration for 2017. No proposal for payment of remuneration is being presented at the General Assembly for the members of the Board for the period 1 January 2018 to 31 December 2018.

Compensation

In November 2017, the Board adopted criteria for payment of Directors' fees and bonuses for additional services in excess of regular duties as directors and for serving as committee members or as a committee chairperson.

The Board-approved fees are set out below:

Committee membership annual fees	AED 55,103
Committee chairman annual fee	AED 91,838
Fees for 'additional services in excess of his/her regular duties as a director'	Determined on a case-by case basis and in any event no more than AED 128,573 per annum

Under these criteria, H.E Abdulla Al Habbai, Mohammed Almulla, Edris Al Rafi, Mukesh Sodani and Malek Al Malek were ineligible to receive fees, and the remaining members (Abdul Wahab Al-Halabi, Amina Taher and Shravan Shroff) were eligible.

Based on these criteria, on 8 August 2018 the Board approved payment of directors' fees for additional services in excess of regular duties as director in amount of AED 128,573 annually, payable to Abdul Wahab Al-Halabi, Shravan Shroff and Amina Taher, prorated for the period from 28 November 2017 to 30 June 2018. Abdul Wahab Al-Halabi and Shravan Shroff chose not to accept the fees to which they were entitled.

The following fees have been paid to the Directors for the period 1 January 2018 until 31 December 2018:

Name	Fees paid for additional work performed by Board members in relation to their directors' duties (AED)	Allowances for attending Board Committees: Name of Committee	Allowance amount (AED)	Number of meetings attended
H.E. Abdulla Al Habbai	None	—	—	—
Abdul Wahab Al-Halabi	None	AC (until 8 August 2018); and NRC (until 8 August 2018)	—	AC – 4; NRC – 1
Mukesh Sodani	None	AC; and NRC (effective from 8 August 2018)	—	AC – 5; NRC - 1
Mohamed Almulla	None	—	—	—
Amina Taher	None**	NRC	50,323*	NRC - 4
Malek Al Malek	None	—	—	—
Shravan Shroff	None	AC and NRC	—	AC – 5; NRC - 4
Edris Alrafi	None	—	—	—

* In 2018, Amina Taher was paid a total of AED 50,323 representing combined fees for serving as the chairperson of the NRC from 13 December 2017 to 31 December and from 1 January to 30 June 2018. In addition, she is entitled to a payment of AED 45,919 for serving as the chairperson of the NRC from 1 July 2018 to 31 December 2018, which will be paid in 2019.

** Amina Taher is also entitled to payment of the sum of AED 64,286 for additional services in excess of her regular duties for the period 1 January 2018 to 30 June 2018, as approved by the Board on 8 August 2018, which will be paid in 2019.

Payment of fees in relation to additional services provided by the Board members in excess of their regular duties for the period from 1 July 2018 to 31 December 2018 will be considered by the Board in Q1 2019.

D. Meetings and Attendance

The table below indicates the Board meetings that were conducted during the period 1 January 2018 to 31 December 2018 including attendance:

Date of Board meetings held in the year 2018	Number of attendees	Number of attendances by proxy	Names of absent members
11 February 2018	5	N/A	H.E. Abdulla Al Habbai and Edris Al Rafi
25 March 2018	5	N/A	H.E. Abdulla Al Habbai and Malek Al Malek
9 May 2018	6	N/A	H.E. Abdulla Al Habbai
8 August 2018	6	N/A	N/A
5 November 2018	5	N/A	Malek Al Malek
11 December 2018	6	N/A	N/A

E. Tasks and Functions Delegated by the Board to Executive Management

The authorities reserved to and exercised by the Board comply with the provisions of the Chairman of Authority's Board of Directors' Resolution No. (7 R.M) of 2016 Concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies (the "Governance Rules"). The Board is responsible for exercising these authorities and carrying out these functions but may delegate these in writing to a Board Committee or to Executive Management, provided that these delegations are set out in writing.

The powers reserved to the Board are set out in the Board Charter. During 2018, the Board did not delegate any of these reserved duties or functions to the Executive Management of the Company.

Key authorities other than those reserved to the Board have been delegated by the Board to the Chief Executive Officer of the Company as set out in the Board Delegation of Authority.

The Chief Executive Officer thereafter has the power to sub-delegate such authorities in accordance with Company policies and procedures. Approval responsibilities have primarily been sub-delegated to senior management, being Chief Officers, General Managers, and Vice Presidents, as well as Directors and Heads.

F. Related Parties Transactions

The Company enters into transactions with companies and entities that fall within the definition of related parties as defined in the Governance Rules and as contained in International Accounting Standard 24 Related Party Disclosures. The transactions involving related parties are governed by the Company's Related Party Transactions Policy ("RPT Policy"). The RPT Policy specifies the disclosures required by the Board, the Executive Management and the relevant approvals required prior to entering into a related party transaction.

The related party transactions provisions of the Company's RPT Policy apply to all Directors, executive management and significant shareholders, and any persons or entities related to them. Transactions with related parties are based on terms and conditions approved by the Company's Board of Directors. At the beginning of each fiscal year, members of the Board disclose their position in other companies. The Board is required to review and approve all related party transactions, but it pre-approves certain types of related party transactions and delegates the authority to the Audit Committee for related party transactions below certain thresholds. Additionally, the Board and General Assembly both must approve any related party transactions which exceed 5 percent of the Company's issued share capital.

The Company has entered into a number of significant related party transactions in the period 1 January 2018 to 31 December, 2018. The table below includes all such transactions:

Transactions with Related Parties

Related party	Relationship	Nature of transaction	Amount (AED)
Meraas Leisure and entertainment LLC	Parent	Operational management services	5,407,500
		Other services	(275,139)
Meraas F and B concepts LLC	Parent's affiliate	Dining and hospitality services	416,282
Meraas Developments LLC	Parent's affiliate	Infrastructure development fees	20,095,547
Meraas Entertainment Destination LLC	Parent's affiliate	Other services	(116,165)
Duvent LLC	Parent's affiliate	Event management services	(215,778)
Legoland Hotel LLC	Joint venture	Project management services	1,890,782
North 25 Project Management LLC	Parent's affiliate	Transfer of assets	177,937

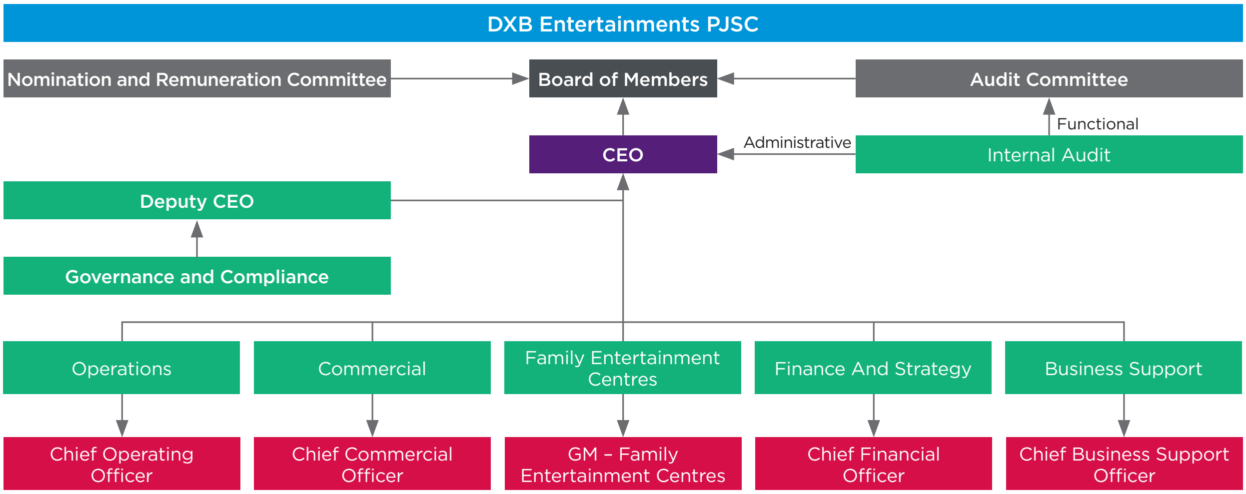
Note: Positive numbers represent receivables and negative numbers represent payables.

Loans from Related Parties

Related party	Relationship	Nature of transaction	Amount (AED)
Meraas Holding LLC	Ultimate parent	Convertible bonds	12,168,036
Meraas Leisure and Entertainment LLC	Parent	Convertible bonds	1,204,635,608

G. Company's Organisation Structure

Below is the management structure effective 31 December 2018:



H. Executive Management Compensation

No.	Position	Date of appointment	Total salaries and allowances paid in 2018	Total bonuses paid in 2018	Any other bonuses cash/in kind for 2018 or payable in the future
1	Chief Executive Officer	31-May-17	2,606,977	113,685	-
2	Deputy CEO**	14-Aug-17	1,883,934	44,493	-
3	Chief Commercial Officer	14-Jun-17	1,571,217	46,258	-
4	Chief Financial Officer	14-Jun-17	1,564,657	54,518	-
5	Chief Business Support Officer	9 Dec-14*	1,808,771	81,400	-
6	General Manager – Family Entertainment Centres	1-Oct-17	1,351,782	-	-

* These employees joined prior to the establishment of the Company. Hence the date of appointment is the same as the date of establishment of the Company.

** The Deputy CEO was also appointed as the acting COO for the year 2018 due to the vacancy of the position.

4. External Auditor

A. Overview

Deloitte & Touche (M.E.) is a member firm of Deloitte Touche Tohmatsu Limited (DTTL) and is the first Arab professional services firm established in the Middle East region with an uninterrupted presence since 1926.

Deloitte is among the region's leading professional services firms, providing audit, tax, consulting, and financial advisory services through 26 offices in 15 countries with more than 3,000 partners, directors and staff throughout the Middle East.

It has served as the external auditor of DXB Entertainments PJSC since 9 December 2014.

B. Fees and Expenses

Name of the audit firm	Deloitte and Touche Middle East
The number of years served as an external auditor of the company.	9 December 2014 – 31 December 2018
Total fees for auditing the financial statements for 2018 (AED)	DXB Entertainments PJSC ('DXBE") Consolidated Financial Statement: AED 134,900*
Special service fees and expenses, other than auditing the financial statements for 2018 (AED), if any, if not it shall be clearly stated	• Year-end audit of subsidiaries of the Company: AED 650,000* • DXBE interim review: AED 180,000* • Additional scope of year-end audit: AED 183,675*
Details of other services provided (if any) and if not, it shall be clearly stated	• Audit of financial statements of Subsidiaries of DXBE. • Interim review of financial statement of DXBE • Additional scope for year-end audit
Statement of other services provided by an external auditor, other that the company's external auditor in 2018, if any, if not it shall be clearly stated.	• DXBE also engaged PwC, EY and KPMG to provide advisory services during 2018 for the following: - Preparing feasibility studies and financial models. - Internal audit services - Other advisory services

* Audit fees quoted are exclusive of VAT and out-of-pocket expenses (e.g. travel, transportation, communication, printing and supplies, etc.)

C. Statement of the qualified opinions made by the external auditor in the interim and annual financial statements for 2018

There were no qualified opinions made by the external auditor in the interim and annual financial statements for 2018.

5. Audit Committee

A. Members and Responsibilities

In accordance with the requirements of the Governance Rules, the Board has established the AC. The AC is composed of three (3) non-executive directors of which two (2) are independent directors. The Chairman of the AC is an independent director. All the AC members are well versed in financial and accounting matters.

Abdul Wahab Al-Halabi, Shravan Shroff and Mukesh Sodani were appointed as the AC members by the Board on 13 December 2017. On 8 August 2018, Abdul Wahab Al-Halabi resigned from his position as the Chairman and member of AC and Malek Al Malek was appointed in his place as an AC member. On 13 August 2018, Shravan Shroff was appointed as the Chairman of the AC.

The Charter governing the AC has been approved by the Board. Key responsibilities of the AC are outlined below:

- Make recommendations to the Board to be put to the shareholders with respect to the appointment of an external auditor;
- Review the remuneration and terms of engagement of the external auditor, and report to the Board with recommendations regarding the re-appointment or removal of the external auditor;
- Review the independence and objectivity of the external auditor on an annual basis;
- Review the nature, scope, efficiency and adherence to approved audit standards of the Company's audit plan and system of internal accounting controls with the external auditors;
- Review the findings of the audit with the external auditor, including, but not limited to, the effectiveness of the audit, errors identified during the audit, accounting and audit judgments and identification of significant issues arising during the audit;
- Review and oversee the integrity of the Company's financial statements, including the annual, semi-annual and quarterly reports, interim management statements, significant financial reports to regulators and any other formal announcements relating to its financial performance before their submission to the Board;
- Review the sufficiency and effectiveness of the Company's internal financial control, internal control and risk management systems and ensure the adequacy of these systems through independent review of operational processes;
- Review and approve the internal audit plan on an annual basis as well as the risk assessment assumptions forming the basis of the audit plan;
- Review all audit reports submitted to the AC and monitor management's responsiveness to the findings and recommendations;
- Review and approve the organisational structure and budget of the internal control function;
- Ensure the internal control function has adequate standing and is free from management or other restrictions;
- Ensure coordination between the external auditor and internal control;

- Review on an annual basis the adequacy of the Company's internal whistleblowing policies and procedures to ensure that these arrangements allow proportionate and independent investigation and appropriate follow-up action;
- Make investigations and consider the findings of investigations into internal control issues assigned to it by the Board or at the independent initiative of the AC upon the approval of the Board;
- Oversee compliance with the Directors' Code of Conduct; and
- Approving the appointment, dismissal and oversight of the functional head of internal control and compliance officer as delegated by the Board.

B. Meetings and attendance

The table below indicates the AC meetings that were conducted in 2018 including the attendance:

	Dates of AC meetings				
AC Member	**7 Feb 2018**	**19 Mar 2018**	**7 May 2018**	**6 Aug 2018**	**4 Nov 2018**
Abdul Wahab Al-Halabi	⦿	⦿	⦿	⦿	N/A
Shravan Shroff	⦿	⦿	⦿	⦿	⦿
Mukesh Sodani	⦿	⦿	⦿	⦿	⦿
Malek Al Malek	N/A	N/A	N/A	N/A	⦿

⦿ Attended ○ Absent

N/A, or not applicable, has been recorded where an individual was not a member of the AC.

Malek Al Malek was appointed as AC member on 8 August 2018 in place of Abdul Wahab Al-Halabi when he was appointed Chairman of the Board. Shravan Shroff was appointed as the Chairman of AC on 13 August 2018.

6. Nomination and Remuneration Committee

A. Members and responsibilities

In accordance with the requirements of the Governance Rules, the Board has established the NRC.

The NRC is composed of three (3) non-executive directors of which two (2) are independent directors. The Chairman of the NRC is an independent director.

Abdul Wahab Al-Halabi, Shravan Shroff and Amina Taher were appointed as the NRC members by the Board on 13 December 2017.

Amina Taher was appointed as the Chairman of NRC by the NRC on 19 March 2018. On 8 August 2018, Abdul Wahab Al-Halabi resigned from his position as a member of NRC and Mukesh Sodani was appointed in his place as a NRC member.

The Charter governing the NRC has been approved by the Board. Key responsibilities of the NRC are outlined below:

- Providing advice in relation to the remuneration packages of the senior executive management of the Company, non-executive directors and executive directors, and another employee benefit programmes;
- Reviewing the Company's nomination, retention and termination policies;
- Reviewing succession plans of the executive management of the Company and its executive directors;
- Recommending individuals for nomination as members of the Board and its committees and encouraging female nominees;
- Ensuring that the performance of the executive management of the Company and members of the Board are reviewed at least once annually; and
- Any other matters as requested by the Board.

B. Meetings and attendance

The table below indicates the NRC meetings that were conducted in 2018 including the attendance of its members:

	Dates of NRC meetings			
NRC Member	**19 Mar 2018**	**9 May 2018**	**8 Aug 2018**	**11 Dec 2018**
Amina Taher	⦿	⦿	⦿	⦿
Abdul Wahab Al-Halabi	⦿	○	○	N/A
Shravan Shroff	⦿	⦿	⦿	⦿
Mukesh Sodani	N/A	N/A	N/A	⦿

⦿ Attended ○ Absent

N/A: or not applicable, has been recorded where an individual was not a member of the NRC Committee.

Mukesh Sodani was appointed in place of Abdul Wahab Al-Halabi on 8 August 2018.

7. Insider and Disclosure Committee

A. Members and responsibilities

The Board has constituted the Insider and Disclosure Committee (IDC) in compliance with the requirements of the Governance Rules. The IDC consists of the following members at 31 December 2018:

- Chairperson – Tessa Lee – Company Secretary
- Member – Waseem Hassan – Chief Business Support Officer
- Member – Firas Marouf – Director, Governance and Compliance
- Member – Marwa Gouda – Director, Investor Relations
- Member – Glenn Moore – Manager, Corporate Governance

The key responsibilities of the IDC are:

- To review and make recommendations to the Board with respect to approval and implementation of Company policies and procedures with respect to the trading of Board members and employees in the securities issued by the Company or its parent company, subsidiaries, or its sister companies, including but not limited to, insider and share dealing policies and procedures;
- To prepare and maintain a comprehensive register of all insiders;
- To determine and implement the processes for acknowledgments and disclosures by employees and external parties who may be insiders;
- To manage and supervise insiders' trading and holdings, including review and determination of share dealing requests and disclosures;
- To recommend disciplinary action against employees to HR, due to non-compliance with the share dealing policy;
- To ensure that the Company is compliant with all rules for disclosure and transparency; and
- To report annually to the AC and the Board on compliance with the policy and regulatory requirements.

B. Work performed in 2018

Below is a summary of the work performed/ reviewed by the IDC during 2018:

- Ongoing reviews of criteria for and identification of employee insiders and external/ third-party insiders;
- Processes/procedures for insider lists, for communication to employees and third parties of their insider status and its implications, to obtain information from employees with respect to shareholdings, notifying employees of blackout periods;
- Share dealing policy of the Company
- Employee declarations, notices and acknowledgment forms;
- Changes to reporting requirements and interpretation of the regulatory requirements around share dealing by directors and executive management;
- Role of IDC with respect to review and determination of matters for disclosure and establishing criteria for reviewing the same.

During 2018, employee requests for share dealing continued to be referred to the Company Secretary for review and determination.

8. Internal Control System

A. Responsibility and Framework

The Board acknowledges that it is ultimately responsible for establishing the Company's internal control and for the application, review of the functioning and effectiveness of the Company's internal control system. The internal control system framework of the Company consists of the following:

- The Board has constituted the AC to assist in monitoring the internal control system and updating the Board on the effectiveness of internal control in the Company. The AC also has oversight of the Company's internal control department functionally and ensures that the resources provided to the Company's internal control department are adequate;
- The Internal Control Department has been established and reports to the Board and the Audit Committee on the design and operating effectiveness of the internal control system. The department achieves this objective through a system of internal audits and compliance reviews. The results of the work performed are reported to the AC on a quarterly basis. The department adheres to the relevant professional standards including that of the Institute of Internal Auditors ('IIA'). The Department is headed by the Director – Internal Control.
- The Internal Control Department also contains the risk function which established a formal risk management process and ensure that the company's assets are safeguarded. The Company has a comprehensive risk management framework which consists of the risk management charter, enterprise risk management policy, identified key risk and periodic updates to its risk register. Operational risk registers have been developed for each of the functions across the Company, with consolidated risks being formally reported to the AC.
- The role of the Compliance Officer has been established to ensure compliance with the requirements of the Governance Rules. The Compliance Officer verifies compliance by the Company and its employees with the applicable laws, regulations, resolutions and bylaws;
- Governance and Compliance ('G&C') department is a management function responsible for developing the corporate governance structures, policies, and monitors compliance with laws and regulations. The G&C Department ultimately reports to the CEO, through direct reporting to the Deputy CEO;

- The executive management has constituted various management committees to ensure that appropriate review has been conducted by all the relevant stakeholders prior to key decisions being approved. In this respect, the Board of Directors has approved a Delegation of Authority ('DoA') to the executive management;
- The Company has additionally formalised policies relating to corporate governance, share dealing and whistleblowing; and
- The Executive Management of the Company acknowledges its roles and responsibilities with respect to the internal control systems of the Company and has appropriately established internal controls for operations of the Company and specifically over financial reporting.

The Board has conducted a review of the internal control system of the Company and its subsidiaries, its efficiency, the reporting by the Board Committees to the Board, and the risk management procedures as a part of its meetings during the period 1 January 2018 to 31 December 2018.

B. Director – Internal Control

The Internal Control Department reports to Hesham Shawa, Vice President – Internal Audit. The AC approved the appointment of Hesham Shawa as the Director – Internal Control on 7 May 2018. Hesham holds a Bachelor's degree in accounting and he is a CPA. He is also a member of the Institute of Internal Auditors and a member of the IIA Global Advisory and Research Committee.

Previously, Hend Alshaibani had served as Acting Director – Internal Control from 1 December 2017, until the appointment of Hesham Shawa.

C. Compliance Officer

The Compliance Officer of the Company until 6 August 2018 was Hend Alshaibani. On 6 August 2018, the AC appointed Glenn Moore as the Company's Compliance Officer.

D. Dealing with issues, or those issues that are disclosed in the annual reports and accounts

The Internal Control Department, as a part of its mandate, reviews the design and operating effectiveness of the internal controls and provides independent assurance through a system of internal audits and compliance reviews. Any weaknesses identified during the audits and reviews are reported to the AC on a quarterly basis together with the appropriate resolution mechanisms that are agreed with the executive management.

In the case of any specific problem identified or reported in the annual reports and accounts, the Internal Control Department notifies the AC. Depending on the nature of the problem, the Internal Control Department liaises with the relevant stakeholders through various mechanisms as defined in the corporate governance manual and mandates of the various management committees. The results of the review performed and the recommendations are submitted to the AC and notified to the executive management and/or other stakeholders, as appropriate. The AC notifies the problems and/or the resolution to the Board, as determined on a case-by-case basis.

For the period 1 January 2018 to 31 December 2018, there were no significant design deficiencies or operating ineffectiveness which had a material impact on the annual financial statements reported to the AC or the Board arising from the internal control reviews completed.

9. Violations

The Board confirms that there have been no material regulatory violations committed during the period 1 January 2018 to 31 December 2018, to the best of its knowledge.

10. Contributions for Local Community Development and Environmental Protection

The Company confirms that no cash contributions were made during 2018. The Company is committed to Corporate Social Responsibility ('CSR') and its commitment to sustainability initiatives, thereby contributing to UAE's development.

The Company won the CSR Label award by Dubai Chamber on 30 September 2018, as an evidence of the Company's dedication and commitment to operating responsibility with UAE society.

In 2018, the Company undertook the following initiatives:

A. Contribute and support for the Year of Zayed

In line with its commitment to support the Year of Zayed initiative which aims to celebrate achievements, wisdom sustainability, human development and respect, the Company set out to establish collaborations with various philanthropic organisations to help spread happiness to those less fortunate and is pleased to have partnered with societies such as the Emirates Thalassemia Society, the Make a Wish Foundation and Friends of Cancer Patients to provide their members with dedicated days at the Dubai Parks and Resorts theme parks through complimentary tickets.

The Company also participated in the Dubai Fitness Challenge launched by His Highness Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, Crown Prince of Dubai, by hosting a 10-km marathon titled the DPR Fun Run.

B. Employee welfare programmes

The Company believes in creating an inclusive environment for its employees and promoting a positive work culture and engaging environment. The flagship 'GEMBA' programme held various events throughout the year.

The aim of the GEMBA programme is to educate the multicultural employee base about UAE culture and tradition as well as improving their general well-being. During the year the Company celebrated and educated its employees through several events such as the UAE Flag Day, National Day and Commemoration Day as well as spreading awareness of and understanding about the holy month of Ramadan.

To enhance communication across the organisation, the Company has also hosted breakfast and coffee sessions with the CEO aimed at increasing transparency and providing a forum for employees to interact with senior management.

In an attempt to drive employee wellbeing and encourage a healthy balanced lifestyle, Company employees have participated in the Dubai Fitness Challenge, held health screening sessions, delivered breast cancer awareness sessions and held mindfulness seminars, as well as participating in a company-wide blood donation programme.

C. Health, Safety and Environment

The Company is committed to protecting the environment and the health and safety of colleagues, visitors and vendors. People and safety are two of the corporate values that form the basis of the Company's Health Safety and Environment ('HSE') management system, and the HSE culture. The Company is committed to providing a safe and healthy workplace for colleagues and to protect the environment by preventing pollution and minimising the environmental impact of operations.

The Company seeks to manage and operate its facilities to maximise safety, promote energy efficiency and to protect the environment by meeting or exceeding all applicable environmental, health and safety requirements as stated by the law. During the year ended 31 December 2018 we are happy to report that no major safety incidents took place from the operations of the Dubai Parks and Resorts destination.

The Company is also committed to protecting the natural environment in which it operates. To achieve this aim, an environmental management system has been developed that ensures that any activities which have an effect on the environment are controlled and aligned to local and federal legislation. To monitor our environmental performance, three key goals have been established:

- Reduce waste to landfill;
- Reduce electricity consumption; and
- Reduce water use.

Each of these environmental goals has supporting programmes which are tracked on a regular basis and include activities such as a recycling scheme in all offices and a water usage minimisation program.

An extensive environmental program has been rolled out to protect the surrounding environment, including recycling to divert waste from landfills, efficient water management and actively working to reduce office energy and water consumption.

There is also an onsite treated sewage effluent ('TSE') recycling plant at the destination that provides the resort with about 30 percent of its TSE requirements. The Company will continue to set challenging targets and measure progress to ensure continuous improvement in our HSE performance and continue to train and instruct employees to ensure they are aware of their responsibilities and have the knowledge and experience to carry them out. Key recycling statistics are highlighted below:

- Carton: 45,091 kgs
- Paper: 489 kgs
- Plastic: 997 kgs

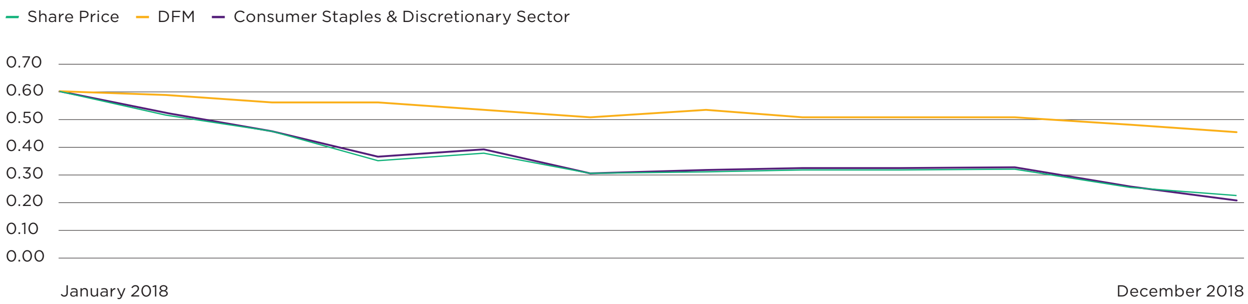
11. General Information

A. Company's Share Price

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Closing Price	0.64	0.56	0.49	0.39	0.42	0.33	0.34	0.35	0.35	0.35	0.28	0.23
Highest Price	0.72	0.64	0.57	0.49	0.44	0.43	0.36	0.35	0.38	0.39	0.37	0.30
Lowest Price	0.63	0.53	0.45	0.38	0.34	0.32	0.32	0.32	0.34	0.35	0.27	0.23

B. Comparative Performance Statement

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
DXBE	0.64	0.56	0.49	0.39	0.42	0.33	0.34	0.35	0.35	0.35	0.28	0.23
% change	0.00%	-12.50%	-12.50%	-20.41%	7.69%	-21.43%	3.03%	2.94%	0.00%	0.00%	-20.00%	-17.86%
DFM	3,394.36	3,244.12	3,108.53	3,065.96	2,964.13	2,821.00	2,955.95	2,840.16	2,834.95	2,784.60	2,668.66	2,529.75
% change	-2.24%	-1.53%	-4.18%	-1.37%	-3.32%	-4.83%	4.78%	-3.92%	-0.18%	-1.78%	-4.16%	-5.21%
CSD	372.21	324.75	283.53	219.52	236.57	191.1	193.68	198.85	199.37	201.43	162.16	142.01
% change	1.46%	-12.75%	-12.69%	-22.58%	7.77%	-19.22%	1.35%	2.67%	0.26%	1.03%	-19.50%	-12.43%



C. Distribution of Shareholder's equity as at 31 December 2018

	Number of shares owned					
Shareholder classification	Individuals	Companies	Bank	Institution (Sole Property)	Government	Total
Local	985,105,788	4,514,644,388	106,336,489	15,354,000	5,179,152	5,626,619,817
GCC	53,530,880	1,377,951,353	0	0	0	1,431,482,233
Foreign	517,598,256	364,640,329	59,572,035	0	0	941,810,620
Total	1,556,234,924	6,257,236,070	165,908,524	15,354,000	5,179,152	7,999,912,670

D. Shareholders owning 5 percent or more of the Company capital as at 31 December 2018

S/N	Name	Number of shares held	Percentage of shares owned in the company capital
1	Meraas Leisure and Entertainment LLC and associated group	4,183,399,030	52.29%
2	Qatar Holding	878,314,541	10.98%
3	Kuwait Investment Authority	405,943,887	5.07%

E. Shareholder Distribution based on size of ownership as at 31 December 2018

S/N	Share ownership (shares)	Number of shareholders	Number of shares owned	Percentage of shares owned in the capital
1	Less than 50,000	1953	31,142,692	0.39%
2	From 50,000 to less than 500,000	1513	296,869,805	3.71%
3	From 500,000 to less than 5,000,000	622	817,470,109	10.22%
4	More than 5,000,000	88	6,854,430,064	85.68%

F. Investor Relations

The Company is committed to a transparent and timely communication policy with its shareholders and wider investment community and has a dedicated Investor Relations department that reports into the Chief Financial Officer.

The Investor Relations department is responsible for handling all shareholder communication, ensuring timely disclosure of financial updates and material developments to the regulator, the market and its shareholders.

The department is also responsible for handling shareholder queries in a timely manner and to maintain the Investor Relations section of the Company website to ensure it is regularly updated to deliver timely and accurate disclosures.

During 2018, the Investor Relations department attended numerous regional and international investor conferences as well as hosted regular shareholder and analyst calls.

Investor Relations Officer details are as below:

Name: Marwa Gouda

Position: Director of Investor Relations

Email: IR@dxbentertainments.com

Phone: +971 4 820 0820

Website: www.dxbentertainments.com/investor-relations

G. Special Resolutions

The Annual General Assembly meeting of the Company was held on Wednesday, 25 April 2018 at which the following special resolutions were passed:

A) In accordance with Article (152) of the Federal Commercial Companies Law No. (2) of 2015 and Article (15) of the Resolution No (7 R.M) of 2016 Concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies, approved entering into a related party transaction with the Company's majority shareholder for the issuance of convertible bonds to Meraas Holding (L.L.C), a limited liability company, in its capacity as shareholder in the Company by 0.48 percent and Meraas Leisure and Entertainment L.L.C, a limited liability company in its capacity as shareholder in the Company by 51.82 percent, pro rata to their shareholding percentage in the share capital of the Company in accordance with the following terms:

i. Convertible bonds amount: up to AED 1.235 billion
ii. Coupon rate: 8 percent per annum, compounded quarterly – to be added to the value of the convertible bonds and either converted into shares or repaid at maturity
iii. Collateral/ranking: unsecured, subordinated to senior debt
iv. The bondholders will have the right to subscribe for the principal amount in up to three (3) tranches over a six (6) month period after the initial issuance date
v. Strike price: AED 1.04 per share
vi. Tenor and maturity: from the issuance date (to be determined following SCA approval) and maturing on 30 June 2026
vii. Conversion period: the time period beginning 1 January 2021 and ending 30 June 2026

B) In relation to (A) above, approved the issuance of the Company's convertible bonds for a total value of up to AED 1.235 billion and delivering such convertible bonds to Meraas Holding LLC and Meraas Leisure and Entertainment LLC whereby the Company shall issue and deliver to Meraas Holding LLC bonds for the value of up to AED 12,350,000 while bonds for the value of up to AED 1,222,650,000 shall be issued and delivered to Meraas Leisure and Entertainment LLC. The issued bonds shall be all convertible into shares in the Company in accordance with the terms and conditions of issuing such bonds.

C) In relation to (A) above, approved the terms and conditions of the Company's convertible bonds announcement and for the Company to enter into all documents and agreements related to the issuance of the Company's convertible bonds.

D) In relation to (A) above, approved granting Meraas Holding LLC and Meraas Leisure and Entertainment LLC in their capacity as the bondholders the irrevocable right to convert the bonds into shares in accordance with the terms and conditions provided in the Company's convertible bonds terms and conditions announcement without the need for any future approvals from the general assembly of the Company for the conversion process along with authorising the Board of Directors to facilitate the capital increase process.

E) In relation to (A) above, approved authorising the Board to execute the issuance of the convertible bonds in relation to the shares of the Company and authorise and delegate any of the authorised signatories of the Company or the Chief Financial Officer to (solely) represent the Company and to sign on its behalf and enter into documents, contracts and agreements in relation to the issuance of the Company's convertible bonds and to deal with all the competent authorities, including but not limited to, Dubai Economy, Notary Public, Securities and Commodities Authority and Dubai Financial Market.

H. Company Secretary

Tessa Lee has taken the role of Board Secretary since 25 October 2017, and retains her position as secretary of the company until 31 December 2018.

I. Material Events

February

- Appointment of Chief Business Support Officer

DXB Entertainments PJSC appointed Mr. Waseem Hassan as Chief Business Support Officer.

March

- Resignation of a member of the Board of Directors.

On 25 of March, the Company announced that Mr. Edris Alrafi resigned from the Board of Directors.

April

- Dubai Parks and Resorts and Dubai Airports sign exclusive agreement to feature the theme park destination in Dubai.
- The second annual Big Day Out set a new record in daily visitation, with over 36,000 visits recorded on the 20 April 2018
- At the General Assembly held on 25 April 2018, shareholders approved issuing convertible bonds amounting up to AED 1.235 billion to the Company's majority shareholder, Meraas.

June

- Emirates Airline partners with Dubai Parks and Resorts for an exclusive pass.

July

- Dubai Parks and Resorts and Roads & Transport Authority's Dubai Taxi Corporation launch a joint campaign to enrich Dubai's visitors' travel itinerary.
- On 18 July 2018 the Board of Directors passed a resolution for the enhancement of Bollywood Parks™ Dubai.

The plan includes increasing the number of rides, with a special focus on smaller family-friendly rides as well as enhancing the theming and entertainment within the park.

- The Board of Directors mandated management to evaluate DXB Entertainments' future development plans and capital deployment to ensure value for shareholder through prudent financial management.

August

- Dubai Parks and Resorts signs strategic partnership with leading Chinese payment gateway UnionPay.
- Resignation of a member of the Board of Directors

On 8 August, the Company announced the resignation of H.E. Abdulla Al Habbai from the Board of Directors.

September

- Dubai Parks and Resorts wins two awards at Time Out Dubai Kids Awards 2018.

October

- Bollywood Parks™ Dubai introduces 11 new shows with a new lineup of performances from various regions of the Indian subcontinent.

J. Emiratisation

As at 31 December 2018, DXBE employed 1,963 employees, of which 136 are UAE nationals, comprising 7 percent of DXBE's staff. Close to 25 percent of the senior executive management team is composed of UAE Nationals, including the CEO, Deputy CEO and Chief Commercial Officer.

UAE national entity-wise	Total
DXBE Hospitality	4
DXBE Corporate	30
DXBE Theme Park	102
Total UAE nationals	136
UAE national percentage	7%

K. Innovation projects and initiatives during 2018

The Company did not launch any innovation initiatives during 2018. However, it remains committed to providing innovative park services to its guests. The Company launched an employee engagement programme targeting innovation across the Company, under the title FIKRA™.

Dubai Parks and Resorts, the largest integrated theme park in the region, won two awards at the Time Out Dubai Kids Awards for 2018. MOTIONGATE™ Dubai won in the "Best UAE Theme Park" category and LEGOLAND® Water Park won in the "Best Water Park in the UAE" category for being the only UAE water park designed specifically for kids.

Abdul Wahab Al-Halabi
Chairman of the Board of Directors

DXB Entertainments PJSC
Date: 27 March 2019

Deloitte.

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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. We tested the design, implementation and the operating effectiveness of the relevant controls to determine the reasonableness of the impairment review process. This included testing: • Controls over the accuracy and completeness of the impairment calculation model; and • Governance controls, including reviewing key meetings that form part of reviewing the impairment assessment.

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: • Engaged our internal valuation specialists to assess the valuation of the assets; • Evaluated whether the models used by management to calculate the recoverable amount for each cash-generating unit complies with IAS 36 impairment of assets; • Obtained and analysed the underlying assumptions provided by management to determine whether these are reasonable and supportable; • Analysed the discount rates and/or Weighted Average Cost of Capital (WACC); • Challenged the reasonableness of growth rates and other key cash flow assumptions; • 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 • 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. 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: • 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 • 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. 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. 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: • 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; • Examined the Group's funding agreements that are in place; • Performed a downside sensitivity analysis over the Group's headroom assessment in respect of its liquidity; and • 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. In certain instances, there are manual processes to match cash payments to redemptions or to transfer data to the finance systems. The low value of individual transactions means individual errors would be insignificant, but difficult to detect, and the high volume of transactions mean systemic failure could lead to errors that aggregate into material balances.	Our audit procedures included: • Testing of the design, implementation and operating effectiveness of manual controls supporting the systems, including reconciliations of the records to revenue journal entries in the accounting records; • Predictive analytical procedures (taking into account factors such as changes in pricing and visitation); • Performing reconciliations of total cash received to revenue recorded; • Confirming the appropriate timing of sales cut-off by checking the specific posting of revenue for days either side of the period end; and • Testing of deferred revenue balances through agreeing back to ticketing system records and checking underlying calculations.

Other information

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

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

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* 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: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • 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.

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