DXB ENTERTAINMENTS
DREAMS WITHOUT BOUNDARIES

DXB Entertainments PJSC and its Subsidiaries

Consolidated Financial Statements

31 December 2019

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31 December 2019

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DXB Entertainments PJSC and its Subsidiaries

Directors' Report
For the year ended 31 December 2019

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 fifth annual Board report which covers the financial results for the year ended 31 December 2019 (the "period").

In 2019 we cemented our position as the region's leading theme park destination welcoming 2.58 million visits to Dubai Parks and Resorts and delivering 62% occupancy at our on-site Lapita™ Hotel. We remain committed to delivering a first-class customer experience and with this in mind, in April 2019 we announced the enhancement of two of our key assets, MOTIONGATE™ Dubai and Bollywood Parks™ Dubai. The enhancement works will be completed by H2 2020 and will see the introduction of twelve new rides including three world record breaking rides. The enhancement plan is expected to drive new and repeat visitation, increase dwell times and drive yields.

In line with our stated strategy to increase hotel room inventory to over 1,300 keys, the third party owned and operated Rove at the Park Hotel opened its doors in June 2019. Throughout the year, progress continued on the LEGOLAND® Hotel Dubai, the first ever hotel of its kind in the region which is on track to open in H1 2020. The introduction of further hotel rooms to the destination will be a key driver of growth in international visitation facilitating the bundling of our theme park tickets with hotel stays and ultimately increasing length of stay, visitation and dwell times.

In August 2019 the Board approved the development of an efficiency program which was substantially complete by September 2019 and fully implemented by year-end 2019. Year-on-year we realised cost savings of AED172 million or 24% with further savings expected in 2020.

We are pleased to report that the successful implementation of the efficiency program delivered our goal of reaching EBITDA breakeven, with a Q4 2019 adjusted EBITDA profit of AED 2 million delivered in advance of the previously communicated target of H2 2020. However, given the cyclical nature of our business we anticipate EBITDA losses in Q2 and Q3 of 2020, and EBITDA profitability during the high-seasons of Q1 and Q4 of 2020.

Whilst we continue to see growth in international visits, now accounting for 43% of total visits, overall visits were down 7% as resident visitation and in particular from the annual pass segment declined by 34%. A decline in domestic visits is not unusual for a theme park in its second year of operations and which benefited from a high penetration of the resident market in its first year. Growing visitation and revenue remain key areas of focus for the management team.

Key Milestones

In celebration of International Women's Day on 8 March 2019, Dubai Parks and Resorts held its first "Ladies' Free Day Out" which attracted more than 53 thousand visits to the parks, setting a new record for daily visitation and welcoming many first-time visitors to the destination. Similarly, our Philippine Independence Day Celebration saw visitation of over 92 thousand visits over a period of 4 days between 12 -15 June 2019.

On 24 April 2019, Mr. Boutrous Maroun Boutrous was appointed as an Independent Director to the Board. Boutrous is the Chief Marketing Officer of Emirates Airlines and his appointment is a reflection of the Group's commitment towards expanding our international reach and growing international visitation.

On 24 April 2019, at the Annual General Meeting of the Shareholders ("AGM") the shareholders approved a special resolution to not continue with the Six Flags Dubai project and resolved to instruct the Board of Directors to take all necessary actions required to implement the resolution. Shareholders also approved the reutilisation of remaining proceeds raised pursuant to the Rights Issue and the plan to maximise shareholders value by enhancing MOTIONGATE™ Dubai and Bollywood Parks™ Dubai, utilising a select portfolio of rides originally intended for the Six Flags project.

Concurrently, during the same AGM meeting the shareholders approved the continuity of the Company's operations according to article (302) of the UAE Federal Law No (2) of 2015 concerning Commercial Companies ("Company Law")

On 30 June 2019, SF Dubai LLC (a subsidiary of the Company), entered into a license and settlement agreement with regard to the intellectual property usage of the brand Six Flags and/or Six Flags Dubai. Under the agreement, SF Dubai LLC will retain the right of first refusal to use the IP rights in the UAE for a period of five years from the signature of the agreement. Concurrently with this agreement, SF Dubai LLC, Six Flags Theme Parks Inc and Six Flags International Development Co have agreed that there shall be no claims between them either now or in the future under any of the previous arrangements that were in place.

Liquidity overview

As at 31 December 2019, the Group had cash balances including other financial assets of AED 1.2 billion of which AED 0.2 billion is restricted or ringfenced cash, mainly related to our debt service reserve account and AED 0.4 billion is related to the settlement of construction related costs associated with the Six Flags project and the ongoing enhancement program. As a result, the Group has AED 0.6 billion of available cash balances. During the year and following the special resolution passed at the AGM, the Company transferred AED 217 million of cash originally intended for the Six Flags project to cash balances available for general corporate use.

The Group currently has AED 0.4 billion of remaining liabilities from its phase 1 construction stage, for which management are in the process of negotiating long-term settlement agreements, with available cash being used for operational cash purposes.

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 up to four years.

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 twelve months from the approval of these consolidated financial statements.

The Group is currently in a moratorium period in relation to principal repayments and covenant testing in respect of its Phase 1 syndicated term loan facility. The principal repayments and covenant testing will re-commence in March 2021 with AED 213 million of principal due in 2021. However based on advanced discussions between the Parent Company, the guarantor of the syndicated loan facility, the syndicated term loan financiers and other financial institutions, management believe that should further financial support be required in the form of deferred debt service and / or principal repayments, such support will be received.

The Group has accumulated losses of AED5.2 billion, which exceed 50% of the issued share capital. As per article 302 of the UAE Federal Law No (2) of 2015, the Board would convene a General Meeting of the shareholders, currently intended to be held in April 2020, for the shareholders to resolve for the Group to continue operations.

Operations

Our key focus in 2019 was to implement the operational efficiency program to reduce operating costs whilst ensuring that the guest experience was not impacted. This was successfully implemented by the year end, resulting in cost savings of AED 172 million or 24% with further savings expected in 2020. Furthermore, in order to maintain focus on the Group's key asset, Dubai Parks and Resorts, the operator agreement for managing certain leisure & entertainment assets owned by our majority shareholder, Meraas, was cancelled.

As mentioned 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 facilitating bundling of our theme park tickets with hotel stays and ultimately increasing length of stay, visitation and dwell times. Our on-site hotel room inventory grew to over 1,000 keys with the opening of the 579 room third party owned and operated Rove at the Park Hotel. Construction work on the 250 room LEGOLAND® Hotel Dubai is progressing as planned with the opening of the hotel scheduled for H1 2020.

Our new pricing strategy was implemented in October 2019 with a view to encouraging multi-park visitation, improving yields and targeting new market segments. Initial feedback has been encouraging with greater numbers of visitors opting for our multi-park offering.

Driving international visitation remains key, in particular from our key source markets of the GCC, India, China, Russia, the United Kingdom and Western Europe. In this regard the Board are pleased to announce the appointment of Mr. Rami Mashini as the VP of Sales and Marketing, who will play a crucial role in implementing our strategy of driving visitation growth, in particular from the international markets. Rami brings with him a wealth of experience in the tour and travel space, having previously worked for the likes of Kuoni Global Travel Services, Gulliver's Travel Associates and Hotelbeds Group.

Financial Overview

The Group reported revenue of AED 491 million for the year ended 31 December 2019, lower than the AED 541 million reported in 2018. However, on a like-for-like basis and excluding AED 34 million of one-time income associated with a tenant settlement, revenue decreased by 15%. Our theme parks remain our biggest revenue generator, with AED 310 million of revenue reported in 2019, lower by 16% on 2018, impacted by lower visitation and per capita spend,

We reported revenue of AED 84 million from Hospitality and AED 51 million (including AED 34 million of one-time revenue associated with a tenant settlement) from Retail. Hospitality revenues decreased by 8% year-on-year, despite occupancy rising to 62% due to a 14% decline in ADR in line with the general trend in the market.

The loss for the year ended 31 December 2019 was AED 855 million, compared with AED 2,543 million in 2018, with 2018 impacted by one-time impairment charges of AED 1,542 million. Loss for the year includes AED 384 million of non-cash depreciation and AED 107 million of non-cash interest on the Company's convertible instrument. Cash interest charges for the year were AED 278 million.

Operating costs for the year were AED 556 million, a 24% improvement compared to prior year with further savings anticipated in 2020 following implementation of the efficiency program.

EBITDA loss of AED 106 million was impacted by one-time revenue, service charges and marketing fees of AED 39 million, associated with a settlement agreement reached with a Riverland tenant, which was excluded from adjusted EBITDA.

Total assets at the end of 2019 were AED 9.6 billion, primarily comprising AED 8.3 billion in property and equipment, inventories and trade and other receivables and AED 1.2 billion in cash and other financial assets. Our Phase 1 syndicated bank facility of AED 4.2 billion and our AED 1.2 billion convertible bond from Meraas are fully drawn.

Accumulated Loss Addressing Plan

In accordance with the notice received on 9 October 2019 from the Emirates Securities and Commodities Authority ("ESCA") regarding procedures for companies with accumulated losses of 20% or more of their share capital, the Board of Directors appointed an Implementation Committee to formulate and monitor the implementation of the Company's Accumulated Loss Addressing Plan (the "Plan").

As the Company had already formed a transformation committee prior to receiving notice from ESCA and was in the process of implementing the Plan, the following actions had already been taken:

- Third party consultant engaged to identify further cost savings across the organization including optimisation of manpower, sales & marketing spend and other third party spend
- Third party consultants engaged for recommending the optimal pricing and international distribution strategy aimed at growing international visitation, driving multi-park and repeat visitation, higher visitor yields and maintaining the annual pass base
- A Transformation Committee comprising DXBE Board members was established on 1 September 2019 to implement the revised strategy. The transformation Committee was subsequently reconstituted as the board nominated Implementation Committee on 13 November 2019 to oversee the implementation of the plan
- Construction underway on the 250 room LEGOLAND® Hotel Dubai on course for delivery in H1 2020 taking the total room inventory at the destination to over 1,300 rooms by 2020, in line with the stated hotel strategy to target international visitors
- Enhancement plan for MOTIONGATE™ Dubai and Bollywood Parks™ Dubai underway including introduction of world record thrill rides to the destination, allowing the parks to target new demographics, increase dwell times and drive repeat visitation

The key objectives of the plan are the following:

- Driving operational efficiency to achieve EBITDA breakeven during H2 2020 (delivered ahead of target in Q4 2019)
- Implementation of revenue optimisation initiatives to increase visitation, improve yields and overall revenues
- Driving international visitation to achieve the targeted visitor mix and desired conversion rates of international tourists visiting Dubai
- Enhancing the park offering to further strengthen the value proposition, target new demographics and increase dwell times and per capita spend

Looking Ahead

The principal focus for 2020 is to grow visitation with an emphasis on international visitation from our key source markets and the continuation of our efficiency program.

The opening of LEGOLAND® Hotel Dubai in H1 2020 is expected to be a catalyst for achieving our visitation targets, while the enhancements at MOTIONGATE™ Dubai and Bollywood Parks™ Dubai are expected to further improve customer experience, drive new and repeat visitation and enhance dwell times.

Finally, we would like to take this opportunity to thank our employees, operators, financing partners, Meraas 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.

Abdulwahab Al Halabi
Chairman

Mohamed Almulla
Chief Executive Officer and
Managing Director

Independent auditor's report to the shareholders of DXB Entertainments PJSC

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of DXB Entertainments PJSC (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

Key Audit Matters	• Carrying value of property and equipment • Management's assessment of preparation of the consolidated financial statements on a going concern basis

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

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

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Douglas O'Mahony, Rami Sarhan, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy

Our audit approach (continued)

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 our audit addressed the key audit matter
Carrying value of property and equipment The Group has AED 8.2 billion of property and equipment and is the most significant balance in the consolidated statement of financial position of the Group as at 31 December 2019. The Group performed an impairment assessment of property and equipment as at 31 December 2019 based on the Board approved business plan to determine the recoverable amount, being the higher of fair value less costs to sell and value in use. In the impairment assessment, the operating assets (comprising the four theme parks, hotel and retail properties) of AED 7.4 billion within the property and equipment, are all considered as one cash generating unit ("CGU") for which recoverable amount has been determined internally by management using a value in use approach. We considered this to be a key audit matter as the evaluation of the recoverable amount of the CGU requires significant estimation and critical management judgement in determining the key assumptions that support the expected future cash flows of the business and the utilisation of these assets. The key assumptions include expected visitation, admission revenues per visit and occupancy and average daily rates of the hotel. Based on the impairment assessment performed, no impairment loss has been recognised for these assets as at 31 December 2019 with the recoverable amount of the CGU being AED 805 million higher than the carrying amount. Should the Group not meet the targets as envisaged in the business plan, this would give rise to a reduction in the available headroom and possibly an impairment. A sensitivity analysis has been performed and disclosed with the resultant impact on the headroom within note 6 to the consolidated financial statements. Refer to notes 4 and 6 to the consolidated financial statements.	We obtained the impairment assessment carried out by management that was prepared on the basis of the Board approved business plan and carried out the following substantive audit procedures: • Evaluated whether the methodology used by management to calculate the recoverable amount for the CGU complies with IAS 36, 'Impairment of assets'; • Assessed the appropriateness of the identification of the CGU at which the impairment assessment has been performed; • Tested the mathematical accuracy of the calculations included within management's impairment assessment; • Obtained and analysed the underlying assumptions used within the impairment assessment to determine whether these are reasonable; • Engaged our internal valuation experts to assess certain underlying assumptions used by management in estimating future cash flows to determine whether these are reasonable and supportable; • Analysed the discount and long-term growth rates used for reasonableness; • Performed a downside sensitivity analysis around the key assumptions used by management to assess the potential impact on the recoverable amount of the CGU; and • Assessed the adequacy of the disclosures in notes 4 and 6 to the consolidated financial statements.

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Independent auditor's report to the shareholders of DXB Entertainments PJSC (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Management's assessment of the preparation of the consolidated financial statements on a going concern basis	
As disclosed in note 3, the Group had incurred negative operating cash flows of AED 104 million. Further as disclosed in note 16, the Group has significant outstanding term loan facilities of AED 4,158 million with associated financial covenants, for which the principal repayments and covenants testing will re-commence in March 2021 once the 3-year moratorium period ends. In light of these conditions, management and the Board of Directors have reassessed the appropriateness of preparing the consolidated financial statements on a going concern basis. In assessing the appropriateness of the going concern basis, management and the Board of Directors have considered a 12-month rolling cash flow projections from the date of approval of the consolidated financial statements and advanced discussions involving the Parent Company with the syndicated term loan financiers and other financial institutions. As a result of the above assessment, which required the use of significant assumptions and judgement, management and the Board of Directors have determined that the use of going concern basis in preparing the consolidated financial statements of the Group is appropriate. We considered this to be a key audit matter as the assessment is subjective and judgemental. Refer to note 3 to the consolidated financial statements.	We carried out the following substantive audit procedures: • Obtained and examined management's detailed cash flow projections for a period of 12 months from the approval of the consolidated financial statements; • Tested the mathematical accuracy of the calculations included within the cash flow projections; • Corroborated the key assumptions used in the cash flow projections such as; projected EBITDA and settlement plan for contractor liabilities and debt service outflows by: - agreeing projected EBITDA with the Board approved business plan; - reviewing the progress report from the project management consultant for the settlement plan for contractor liabilities; and - reviewing the relevant correspondence with financial institutions related to the debt service outflows. • Examined the Group's funding agreements that are in place; • Obtained relevant correspondence with the syndicated term loan financiers and other financial institutions; • Performed a downside sensitivity analysis over the Group's cash flow projections for the going concern assessment period; and • Assessed the adequacy of the Group's disclosures on management's assessment of the basis of preparation on a going concern basis in note 3 to the consolidated financial statements.

Independent auditor's report to the shareholders of DXB Entertainments PJSC (continued)

Other information

The Board of Directors and management are responsible for the other information. The other information comprises the Directors' Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Corporate Governance Report, which is expected to be made available to us after that date.

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

In connection with our audit of the 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 Corporate Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of 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.

Those charged with governance 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 scepticism 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.

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Independent auditor's report to the shareholders of DXB Entertainments PJSC (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or 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 control that we identify during our audit.

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

From the matters communicated with those charged with governance, 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.

Independent auditor's report to the shareholders of DXB Entertainments PJSC (continued)

Report on other legal and regulatory requirements

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

i) we have obtained all the information we considered necessary for the purposes of our audit;

ii) 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;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' Report is consistent with the books of account of the Group;

v) as disclosed in note 1 to the consolidated financial statements, the Group has not purchased or invested in shares during the year ended 31 December 2019

vi) note 9 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and

vii) as detailed in note 3 to the consolidated financial statements, as the accumulated losses of the Group as at 31 December 2019 exceeded 50% of the issued share capital and in accordance with the provisions of Article 302 of UAE Federal Law No. 2 of 2015, the Board of Directors would issue an invitation 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. Further, 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 year ended 31 December 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2019.

PricewaterhouseCoopers
12 February 2020

Doug O'Mahony

Douglas O'Mahony
Registered Auditor Number 834
Dubai, United Arab Emirates

Consolidated statement of financial position
at 31 December 2019

	Notes	2019 AED'000	2018 AED'000 Restated
ASSETS			
Non-current assets			
Property and equipment	6	**8,239,942**	8,599,265
Equity accounted investee	7	**52,926**	53,668
		8,292,868	8,652,933
Current assets			
Due from related parties	9	**20,047**	19,982
Trade and other receivables	10	**100,979**	158,813
Inventories	8	**22,088**	23,242
Derivative financial instruments	11	**6,799**	71,165
Other financial assets	12	**266,130**	729,609
Cash and cash equivalents	13	**933,997**	1,053,001
		1,350,040	2,055,812
Total assets		**9,642,908**	10,708,745
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**7,999,913**	7,999,913
Convertible bond - equity component	15	**65,717**	65,717
Cash flow hedging reserve		**937**	71,165
Accumulated losses		**(5,157,398)**	(4,312,151)
Total equity		**2,909,169**	3,824,644
Liabilities			
Non-current liabilities			
Convertible bond - liability component	15	**1,297,124**	1,189,930
Bank facilities	16	**3,969,717**	3,940,804
Trade and other payables	17	**91,990**	66,000
Lease liabilities	27(b)	**406,394**	483,463
Provisions	18	**45,527**	77,462
		5,810,752	5,757,659
Current liabilities			
Trade and other payables	17	**833,315**	1,081,997
Lease liabilities	27(b)	**26,284**	43,045
Due to related parties	9	**57,526**	1,400
Derivative financial instruments	11	**5,862**	-
		922,987	1,126,442
Total liabilities		**6,733,739**	6,884,101
Total equity and liabilities		**9,642,908**	10,708,745

Abdulwahab 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 2019

	Notes	2019 AED'000	2018 AED'000
Revenue	19	**491,198**	540,471
Salaries, depreciation and other expenses	20	**(881,619)**	(1,102,256)
Other direct costs	21	**(45,126)**	(72,672)
Marketing and selling expenses		**(57,837)**	(99,250)
Impairment losses and other related charges	5	**-**	(1,541,738)
Finance costs	22	**(414,018)**	(350,174)
Finance income	23	**49,286**	32,657
Other income - net	24	**4,304**	50,142
Share of loss of equity accounted investee	7	**(742)**	(209)
Loss for the year		**(854,554)**	(2,543,029)
Other comprehensive (loss) / income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedge - (loss) / gain on fair value		**(70,228)**	17,212
Total comprehensive loss for the year		**(924,782)**	(2,525,817)
Loss per share:			
Basic and diluted loss per share (AED)	25	**(0.107)**	(0.318)

Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)	26	**(149,075)**	(238,567)

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

Consolidated statement of changes in equity for the year ended 31 December 2019

	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 2018	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
Loss for the year	-	-	-	*(854,554)*	*(854,554)*
Other comprehensive loss for the year	-	-	*(70,228)*	-	*(70,228)*
Total comprehensive loss for the year	-	-	(70,228)	(854,554)	(924,782)
Transaction with a shareholder (Note 9)	-	-	-	9,307	9,307
As at 31 December 2019	**7,999,913**	**65,717**	**937**	**(5,157,398)**	**2,909,169**

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

Consolidated statement of cash flows for the year ended 31 December 2019

	2019 AED'000	2018 AED'000 Restated
Cash flows from operating activities		
Loss for the year	**(854,554)**	(2,543,029)
Adjustments for:		
Depreciation of property and equipment	**383,489**	473,362
Impairment losses and other related charges	**-**	1,541,738
Finance costs	**414,018**	350,174
Finance income	**(49,286)**	(32,657)
Gain on transfer of land to equity accounted investee	**-**	(17,034)
Impairment of trade receivables - net	**12,002**	11,408
(Reversal) / provision for slow-moving inventory - net	**(759)**	3,293
Provision for employees' end-of-service benefits	**4,605**	3,928
Share of loss of equity accounted investee	**742**	209
Gain on disposal of property and equipment	**(1,140)**	(144)
Operating cash flows before changes in working capital	**(90,883)**	(208,752)
Decrease / (increase) in trade and other receivables	**42,453**	(69,533)
Decrease in inventories	**1,913**	12,247
(Decrease) / increase in trade and other payables, excluding project accruals and retentions payable	**(53,103)**	129,488
Movement in due from / to related parties	**(1,067)**	13,820
Cash used in operating activities	**(100,687)**	(122,730)
Employees' end-of-service benefits paid	**(3,007)**	(2,070)
Net cash used in operating activities	**(103,694)**	(124,800)
Cash flows from investing activities		
Property and equipment, net of project accruals and retentions payable	**(237,071)**	(605,967)
Interest received	**25,586**	28,235
Provision utilisation	**(33,533)**	-
Decrease in other financial assets	**463,479**	129,016
Proceeds from sale of property and equipment	**1,194**	359
Net cash generated / (used in) from investing activities	**219,655**	(448,357)
Cash flows from financing activities		
Payment for finance costs	**(225,890)**	(272,530)
Payment for finance leases	**(9,075)**	(66,246)
Proceeds from issue of convertible bond	**-**	804,800
Proceeds of loan from related parties	**-**	150,000
Net cash (used in) / generated from financing activities	**(234,965)**	616,024
Net (decrease) / increase in cash and cash equivalents	**(119,004)**	42,867
Cash and cash equivalents at the beginning of the year (Note 13)	1,053,001	1,010,134
Cash and cash equivalents at the end of the year (Note 13)	**933,997**	1,053,001
Significant non-cash transaction:		
Transfer of land to equity accounted investee	**-**	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.

Due to the seasonal nature of the Group's operations, higher revenues and EBITDA profits are expected in the first and the fourth quarters of the financial year, as compared to lower revenues and EBITDA losses in the second and third quarters.

The Group has not purchased or invested in any shares during the year ended 31 December 2019. The consolidated financial statements include the following subsidiaries:

Name of subsidiary	Place of Incorporation	Date of incorporation	Percentage of ownership Legal	Percentage of ownership Beneficial	Principal Activity
Motiongate (LLC)	Dubai, UAE	18 March 2013	99%	100%	Theme park development
Mgate Operations (LLC)*	Dubai, UAE	8 April 2013	100%	100%	Amusement park
Dubai Parks Destination Management (LLC)	Dubai, UAE	25 August 2014	99%	100%	Ticket selling / marketing management
Bollywood Parks (LLC)	Dubai, UAE	25 August 2014	99%	100%	Theme park development
Dubai Parks Hotel (LLC)	Dubai, UAE	25 August 2014	99%	100%	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

During the year ended 31 December 2018, the Group early adopted IFRS 16 *Leases* ('IFRS 16') (as issued by the IASB in January 2016) and the related consequential amendments to other IFRSs. 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 was 1 January 2018.

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 to 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.

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these consolidated financial statements during the year ended 31 December 2019 and has no material impact the consolidated financial statements:

- Long-term Interests in Associates and Joint Ventures - amendments to IAS 28: The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 Financial Instruments before applying the loss allocation and impairment requirements in IAS 28 Investments in Associates and Joint Ventures.

- Annual Improvements to IFRS Standards 2015-2017 Cycle: The following improvements were finalised in December 2017:
  - IFRS 11 Joint Arrangements – clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.
  - IAS 23 Borrowing Costs – clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19: The amendments to *IAS 19 Employee Benefits* clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:
  - calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change.
  - recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling.
  - separately recognise any changes in the asset ceiling through other comprehensive income.

Other new and revised IFRSs do not have an impact on the Group's consolidated financial statements.

2.2 New and revised IFRSs in issue but not yet effective

- Definition of Material – Amendments to IAS 1 and IAS 8: The IASB has made amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:
  - that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
  - the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements.

- Revised Conceptual Framework for Financial Reporting: The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

  - increasing the prominence of stewardship in the objective of financial reporting;
  - defining a reporting entity, which may be a legal entity, or a portion of an entity;
  - revising the definitions of an asset and a liability;
  - removing the probability threshold for recognition and adding guidance on derecognition;
  - adding guidance on different measurement basis; and
  - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

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

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

- Phase 1 amendments IFRS 9 'Financial instruments' and IFRS for IBOR reform - In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), announced that the interest benchmark would cease after 2021. LIBOR is the most common series of benchmark interest rates.

LIBOR reforms and expectation of cessation of LIBOR will impact the Group's current risk management strategy and possibly accounting for certain financial instruments. The Group has the following instruments which are exposed to the impact of LIBOR:
- Financial assets: AED 6.8 million
- Financial liabilities: AED 5.9 million

As part of the Group's risk management strategy, the Group uses financial instruments to manage exposures arising from the variation of interest rates that could affect consolidated statement of profit or loss and other comprehensive income and applies hedge accounting to these instruments. Those financial instruments are linked to LIBOR. Refer to note 11 of the consolidated financial statements for details of derivative contracts under hedging arrangements.

The Group is assessing the impact and next steps to ensure a smooth transition in relation to the previous and above standards, however as the Group's IRS have maturity dates prior to 2021, the impact is expected to be immaterial.

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 and continue its operations without significant curtailment for a period of 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 855 million (2018: AED 2,543 million), had negative operating cashflows of AED 104 million (2018: AED 125 million) and at the year end date has outstanding bank borrowings of AED 4,158 million (2018: AED 4,158 million). The Group also had accumulated losses of AED 5,157 million (2018: AED 4,312 million) as at 31 December 2019. The Group is currently in a moratorium period for principal repayments and covenant testing in relation to its phase 1 syndicated financing facility. The principal repayments and covenant testing thereon will re-commence in March 2021 with AED 213 million of principal due in 2021. However based on advanced discussions between the Parent Company, the guarantor of the syndicated loan facility, the syndicated term loan financiers and other financial institutions, management believe that should further financial support be required in the form of deferred debt service and / or principal repayments, such support will be received.

In determining the appropriateness of the going concern basis of preparation in these consolidated financial statements, management has considered the following:
- 12-month rolling cash flow projections from the date of approval of the consolidated financial statements, including assumptions with regards to headline price, yield, per capita spend, visitation, occupancy and reflecting the ongoing discussions between the Parent Company, the guarantor of the syndicated loan facility and the financial institutions described above;

3. Summary of significant accounting policies

Going concern (continued)

- Utilisation of residual cash from the development stage of Dubai Parks and Resorts and negotiation of long-term payment plans for outstanding development commitments;
- Utilisation of residual cash following shareholder approval for the reutilisation of remaining proceeds from the rights issue; and
- Full year impact of savings from cost optimisation measures introduced by the Company as part of an efficiency plan mandated by the Board of Directors.

In making its assessment, management has determined the following key mitigating factors to manage long term business risks:
- Delivering the enhancement plan of the existing parks to drive new and repeat visitation, increasing dwell times and improving per capita spend; and
- Increased international tourist market penetration and growth in number of available hotel rooms at Dubai Parks and Resorts.

Based on these factors, management's opinion is that no asset is likely to be realised for an amount less than the amount at which it is recorded in the consolidated financial statements as at 31 December 2019. 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 and accordingly no further adjustments are required in these consolidated financial statements.

As the losses of the Group exceed half of its issued share capital, in accordance with article 302 of the UAE Federal Law no. 2 of 2015, the Board of Directors would 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.

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 comprise land, buildings 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.

3. Summary of significant accounting policies (continued)

Property and equipment (continued)

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

	Years
Land	No depreciation
Buildings 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	10 - 30

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.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets
Debt instruments that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows from payments of principal and interest on the principal amount outstanding are subsequently measured at amortised cost.

Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets are subsequently measured at fair value through other comprehensive income ("FVTOCI").

All other financial assets are measured subsequently at fair value through profit or loss (FVTPL). However, on initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets
The Group has significant types of financial assets that are subject to IFRS 9's expected credit loss ("ECL") model.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of these receivables.

To measure the expected credit losses, the Company and its subsidiaries, groups their receivables for each significant line of business, based on their shared credit risk characteristics and the days past due. The Group has established a provision matrix that is based on the Group's historical credit loss experience, which is adjusted for factors that are specific to the debtors, general economic conditions, forward looking macroeconomic data including time value of money and expected cash flows from the realization of collateral, if any.

Financial assets are written-off, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited against the same line item.

Financial liabilities and equity instruments issued by 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 (excluding rental and other advances) and due to 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 the statement of profit or loss and other comprehensive income.

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.

3. Summary of significant accounting policies (continued)

Impairment of non-financial assets (continued)

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 the 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 equity accounted investee

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.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship and through periodic effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group entered into interest rate swaps that had similar critical terms as the hedged item, including reference rate, reset dates, payment dates, maturities and notional amount. The Group performs a qualitative assessment of the effectiveness and uses the hypothetical derivative method to ensure that an economic relationship exists between the hedged item and hedging instrument.

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.

3. Summary of significant accounting policies (continued)

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, 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.

The group as a 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 date 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 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.

3. Summary of significant accounting policies (continued)

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.

Admission revenue

Admission revenue related to theme park ticket sales is recognised when tickets are used and admission is granted. 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 rooms are occupied and is presented net of applicable discounts and municipality fees. Ancillary services rendered during occupation are distinct performance obligations, for which prices invoiced to the guests are representative of their stand-alone selling prices. Related revenue is recognised over the period of occupation when the obligation is fulfilled.

Sale of food and beverage and merchandise

Sale of food and beverage and merchandise is recognised when goods are sold, net of discounts where applicable.

3. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Lease income

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

Sponsorship income

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

Finance income

Finance income includes interest income and gains from financial liability modifications. 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. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Grants

Grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and the Group will comply with all related conditions. Grants are recognised in the statement of profit or loss and other comprehensive income over the period necessary to match them with the expense that they are intended to compensate. Related grant income is presented net within 'Salaries and other employee benefits' (Note 20) in the consolidated statement of profit or loss and other comprehensive income.

Foreign currency transactions

The consolidated financial statements of the Group are presented in the currency of the primary economic environment in which the Group operates (its functional currency). The consolidated financial statements are presented in 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 the Chief Executive Officer for decision making, who is also the chief operating decision maker (refer to note 26).

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.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Classification of LL Dubai Hotel LLC as a joint venture

LL Dubai Hotel LLC is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. The Group owns 60% of the joint venture, however, the Group along with its joint venture partner have joint control of the arrangement and accordingly, LL Dubai Hotel LLC is classified as a joint venture of the Group (Note 7).

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 note 11.

Estimated useful lives of property and equipment

Overall assessment of useful is based on determination of factors such as technical and / or function obsolesces, level of maintenance, whether useful life of assets are dependent on useful life of other assets and is benchmarked with international and regional peers.

Asset residual values and useful lives are reviewed at the reporting date and adjusted if appropriate, taking into account technological developments and other factors mentioned above. 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 unit for the purposes of impairment testing is the majority of assets within property and equipment, as these comprise one destination, Dubai Parks and Resorts, i.e. one cash generating unit ("CGU") that includes the four theme parks, a hotel and retail properties, excluding the undeveloped portions of land and certain rides / assets under construction.

Management had previously identified, in earlier accounting periods, two cash generating units being "Theme Parks" and "Retail and Hospitality" (the hotel and retail properties), however with the benefit of the knowledge of a longer history of trading data, covering two full years of operation of the theme parks, hotel and retail properties, management consider all assets within the newly identified cash generating unit to be inter-dependent in generating revenues, which are derived primarily from visitation. Had the Group calculated the recoverable amount as one CGU this would not have resulted in an additional impairment in the prior year.

For the purposes of determining whether an impairment has occurred, management used a value in use calculation to carry out the impairment assessment based on the business plan prepared by management covering a 10-year discrete period, which was then extrapolated to estimate the terminal value. As with all assumptions, management's judgement is required based on historical experience and other factors, including expectations of future performance that are believed to be reasonable under the circumstances.

In preparing the 10-year business plan management make estimates and assumptions concerning future performance, which by definition are subject to variability and therefore actual performance may differ from forecast performance. Refer to note 6 for further details of the Group's impairment assessment.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

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.

	2019 AED'000	2018 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) *Prior year Impairment losses and other related charges on the Six Flags Dubai Project*

During the year, a subsidiary of the Group, SF Dubai LLC received notice from its lenders that funding was no longer available for the Six Flags Dubai Project (the "Project") and as a result the Project was no longer able to proceed at that time. Subsequently, on 24 April 2019, at the Annual General Meeting of the Shareholders, the Shareholders approved a special resolution not to continue with the Project.

Accordingly, as at the prior year end date, management identified assets and related commitments and contingencies that were specific to the Project, that may not have enduring value and 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 was recognised.

Management has reviewed the adequacy of the impairment provision as at 31 December 2019 and has determined that no further impairment provision is required.

	2019 AED'000	2018 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) *Prior year impairment losses on the Phase 1 development*

During the prior year, based on the impairment assessment carried out by management, 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. For the year ended 31 December 2019, following management's assessment, the recoverable amounts were determined to be in excess of the asset carrying amounts as at 31 December 2019 and accordingly no further impairment is required in 2019.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

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 2018 - restated (a)	1,286,238	6,451,400	1,162,262	1,037,606	102,790	6,648	252,496	414,432	10,713,872
Additions during the year	-	475	6,038	4,562	3,655	2,888	-	318,925	336,543
Transfer to an equity accounted investee	(19,414)	-	-	-	-	-	-	-	(19,414)
Disposals	-	-	-	-	-	(795)	-	-	(795)
Reclassification (b)	-	(44,727)	31,862	17,442	15,334	(3,880)	-	(16,031)	-
As at 31 December 2018 - restated (a)	1,266,824	6,407,148	1,200,162	1,059,610	121,779	4,861	252,496	717,326	11,030,206
Additions during the year	-	5,647	3,329	4,676	2,697	-	-	70,636	86,985
Reclassification (c)	-	-	(395,106)	-	-	-	395,106	-	-
Disposals	-	-	-	-	-	(844)	-	-	(844)
Finance lease amendment (d)	-	-	-	-	-	-	(62,765)	-	(62,765)
As at 31 December 2019	**1,266,824**	**6,412,795**	**808,385**	**1,064,286**	**124,476**	**4,017**	**584,837**	**787,962**	**11,053,582**
Accumulated depreciation and impairment									
As at 1 January 2018 - restated (a)	-	248,682	171,558	74,525	19,269	2,410	8,417	-	524,861
Charge for the year	-	237,356	165,058	47,071	14,295	1,165	8,417	-	473,362
Impairment loss	75,799	697,877	95,390	82,257	14,389	191	24,817	442,578	1,433,298
Disposals	-	-	-	-	-	(580)	-	-	(580)
As at 31 December 2018- restated (a)	75,799	1,183,915	432,006	203,853	47,953	3,186	41,651	442,578	2,430,941
Charge for the year	-	184,570	84,370	51,495	12,105	920	50,029	-	383,489
Disposals	-	-	-	-	-	(790)	-	-	(790)
Reclassification (c)	-	-	(148,579)	-	-	-	148,579	-	-
As at 31 December 2019	**75,799**	**1,368,485**	**367,797**	**255,348**	**60,058**	**3,316**	**240,259**	**442,578**	**2,813,640**
Carrying amount									
At 31 December 2019	**1,191,025**	**5,044,310**	**440,588**	**808,938**	**64,418**	**701**	**344,578**	**345,384**	**8,239,942**
At 31 December 2018 - restated (a)	1,191,025	5,223,233	768,156	855,757	73,826	1,675	210,845	274,748	8,599,265

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

6. Property and equipment (continued)

(a) Certain comparative information has been restated to conform with the current year presentation, which in managements opinion, provides information that is reliable and is more relevant to the users of the financial statements as it more appropriately reflects the nature of the transactions and balances. Refer to note 31 for further details.

(b) During the year ended 31 December 2018, management performed an exercise in conjunction with an expert third party to review the classification of property and equipment. Accordingly, and following this review, certain assets were identified, that in managements opinion were better represented by classifying under alternative asset categories within property and equipment. There was no material impact on depreciation expense.

(c) During the year ended 31 December 2019, IT and other equipment assets held under finance lease with a carrying amount of AED 141 million were reclassified to right of use assets as in managements opinion this better represents the nature of these assets. Also included within right of use assets is the Group's district cooling facility which at 31 December 2019 had a carrying value of AED 204 million.

(d) During the period, the Group entered into a renegotiated finance lease agreement in relation to IT and other equipment assets and as a result:

- The repayment term of the outstanding lease obligation was extended by 3 years; and
- The original contractual value was reduced by AED 31 million.

Accordingly, the finance lease asset has been adjusted by an amount of AED 63 million with the corresponding impact on the related finance lease liability and a gain which has been recorded as other income (Note 24).

(e) Property and equipment assets with a carrying amount of AED 7.5 billion (2018: AED 7.9 billion) are pledged as security for the Group's bank facilities (Note 16).

(f) Whilst management believe it is early to assess the overall valuation of a theme park destination which has had only two full years of operation and is considered a long-term commercial proposition, given the carrying amount of the net assets is greater than the Group's market capitalisation and the accumulated losses incurred to date due to the destination being in its early stage of full operations, management has carried out the impairment assessment on the recoverability of the assets within property and equipment, which includes the four theme parks, hotel and retail properties, excluding the undeveloped portions of land and certain rides / assets under construction ("the destination").

For the purposes of determining whether an impairment has occurred, management used a value in use calculation to carry out the impairment assessment based on the Board approved business plan prepared by management covering a 10-year discrete period, which was then extrapolated to estimate the terminal value.

The key assumptions underlying the cash flow projections and forming the basis for the value in use calculation include visitation, admission revenue per visit, occupancy and average daily rates of the hotel. As with all assumptions, management's judgement is required based on historical experience and other factors, including expectations of future performance that are believed to be reasonable under the circumstances. In preparing the cash flow projections, management have used benchmarks provided by independent theme park specialists to corroborate certain key assumptions used in the preparation of the business plan.

Management believe forecasting over a 10 year period is justified on the basis that theme parks are intrinsically long-term assets, the destination is in its early stage of full operations, having opened in staggered manner from late 2016, with on-going expansion, coupled with the fact that the Group have recently undergone an efficiency and optimisation exercise (refer to note 4 for the key judgments used in this impairment assessment).

Based on the impairment assessment performed, no impairment loss has been recognised for the assets as at 31 December 2019 with the recoverable amount of the CGU being AED 805 million higher than the carrying amount (refer to note 5 for details of the impairment losses recorded during the year ended 31 December 2018).

6. Property and equipment (continued)

Management make estimates and assumptions concerning future performance, which by definition are subject to variability and therefore actual performance may differ from forecast performance. The estimates and assumptions that may have a risk of causing a material adjustment to the carrying amounts of property and equipment within the next financial year are disclosed below.

<u>*Sensitivity analysis*</u>

The calculation of the present value of future cash flows is sensitive to changes in the estimates and assumptions and the calculation may increase or decrease depending on changes in these estimates and assumptions. Sensitivity analysis has therefore been performed on the calculation of value-in-use to highlight the impact of material changes in the key assumptions and estimates. This is as follows:

Theme park visitation and admission revenue per visitor - The projections for the number of visits and admission revenue per visit are based on market analysis, including the total addressable market, penetration rates, the impact of the launch of new assets (currently under development) and sales and marketing activities, keeping in view the competitive landscape.

Management over the 10-year discrete period has assumed a cumulative annual growth rate ("CAGR") of 9.53% and 8.31% in visitation and admission revenue per visitor, respectively. Should visitation (2019: 2.6 million) and admission revenue per visitor decrease by 10% every year (including the terminal year) with all other variables remaining constant; the recoverable amount of the CGU would reduce by AED 2,038 million, resulting in a potential impairment of AED 1,233 million. Should the visitation number decrease by 10% every year (including the terminal year) with all other variables remaining constant; the recoverable amount of the CGU would reduce by AED 1,167 million, resulting in a potential impairment of AED 362 million. Should admission revenue decrease by 10% every year (including the terminal year) with all other variables remaining constant; the recoverable amount of the CGU would reduce by AED 967 million, resulting in an impairment of AED 163 million.

Hotel occupancy and average daily rates - Hotel occupancy and average daily rates ("ADR") are based on visitor numbers and general market conditions affecting the tourism industry. Management over the 10 year discrete period has assumed a CAGR of 3.87% and 7.75% in occupancy and ADR for the hotel, respectively. Should the occupancy and ADR decrease by 10% every year (including the terminal year) with all other variables remaining constant; the recoverable amount of the CGU would reduce by AED 460 million, with no resultant impairment.

Long term growth rate - A growth rate of 2.5% (2018: 3%) was determined based on management's long-term expectations, taking into account future expected trends in both market development and market share growth. Should the long-term growth rate decrease by 50 basis points with all other variables remaining constant, the recoverable amount of the CGU would reduce by AED 477 million, with no resultant impairment.

Discount rate - A discount rate of 8.5% (2018: 9.5%) was determined based on the estimated weighted average cost of capital of a 'market participant' within the main geographical region where the Group operates and drawn from market data in similar sectors and adjusted for asset specific risks. The key assumptions used when calculating the discount rate include the ratio of debt to equity financing and risk-free rates. Net present values are calculated using pre-tax discount rates derived from the Group's pre-tax weighted average cost of capital. Should the discount rate increase by 50 basis points with all other variables remaining constant, there would be no resultant impairment.

Any of the following changes in assumptions in isolation would cause the recoverable amount for the CGU to equal it's carrying amount:

- a shortfall in visitation of 6.9% each year and in perpetuity.
- a shortfall in admission revenue of 8.3% each year and in perpetuity.
- a shortfall in hotel occupancy by 24.0% each year and in perpetuity.
- a reduction in the long-term growth rate from 2.5% to 1.6%.
- an increase in the discount rate from 8.5% to 9.0%.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

7. Investment in equity accounted investee

During 2017, the Group subscribed for share capital of LL Dubai Hotel LLC which is accounted for as an investment in a joint venture under the equity method. Details of the Investment, which will trade under the name Legoland Hotel Dubai and is expected to become operational during 2020, 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

The share capital of the joint venture consists solely of ordinary shares, each of which rank pari passu. The country of incorporation is its principal place of business.

In accordance with the terms of the financing facility, the Group has funded AED 20 million (2018: AED 20 million) to a cost overrun reserve account to meet any overruns in relation to the development of the joint venture and which will be released upon completion of the project, unless called. There are no other commitments or contingent liabilities relating to the Group's interest in the joint venture.

Movement in the investment is as follows:

	2019 AED'000	2018 AED'000
At 1 January	**53,668**	17,429
Share of losses recognised during the year	**(742)**	(209)
Transfer of land (Note 9)	**-**	36,448
As at 31 December	**52,926**	53,668

Summarised balance sheet

	2019 AED'000	2018 AED'000
Current assets		
Cash and cash equivalents	**6,421**	6,810
Other current assets	**25,173**	-
Total current assets	**31,594**	6,810
Current liabilities		
Trade payables	**17,772**	1,702
Other current liabilities	**724**	7,132
Total current liabilities	**18,496**	8,834
Non-current assets & liabilities		
Assets	**219,256**	136,301
Liabilities	**101,558**	2,245
Net assets	**130,796**	132,032

Summarised statement of comprehensive income

	2019 AED'000	2018 AED'000
General and administrative expenses	**(836)**	(155)
Finance costs	**(400)**	(193)
Net comprehensive loss for the year	**(1,236)**	(348)

7. Investment in equity accounted investee (continued)

Reconciliation of summarised financial information

	2019 AED'000	2018 AED'000
Opening net assets	**132,032**	132,381
Total comprehensive loss for the year	**(1,236)**	(348)
Closing net assets	**130,796**	132,033
Interest in equity accounted investee	**60%**	60%
Share in equity accounted investee net assets	**78,478**	79,220
Unrealised gain on land transfer	**(25,552)**	(25,552)
Carrying value	**52,926**	53,668

8. Inventories

	2019 AED'000	2018 AED'000
Merchandise	**15,120**	16,640
Food and beverage	**1,725**	2,013
Other operating inventory	**7,777**	7,882
	24,622	26,535
Provision for slow-moving inventory	**(2,534)**	(3,293)
	22,088	23,242
Movement in provision for slow-moving inventory		
As at 1 January	**3,293**	-
Reversals made during the year	**(998)**	-
Provisions made during the year	**239**	3,293
As at 31 December	**2,534**	3,293

9. Related party balances and transactions

Related parties comprise the parent company, the ultimate parent company and entities under common ownership and/or common management and control, and key management personnel, directors and businesses that are controlled directly or indirectly by them, or businesses over which they exercise significant influence.

The following balances are outstanding as at the reporting date:

	2019 AED'000	2018 AED'000
Due from related parties		
Due from Parent company	**14,826**	12,920
Due from a joint venture	**530**	7,005
Due from subsidiaries of Parent company	**3,730**	57
Due from joint ventures of Parent Company	**961**	-
	20,047	19,982

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

9. Related party balances and transactions (continued)

Due to related parties		
Due to a subsidiary of Parent Company (c)	**57,128**	-
Due to joint ventures of Parent company	**398**	1,400
	57,526	1,400

a) The Group enters into related party transactions on a mutually agreed basis and in the ordinary course of business and outstanding balances mainly relate to leasing and project management services of AED 3.2 million and AED 4.7million respectively. The terms are normal commercial terms and at market rates. 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.

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

c) During the year, the Group entered into a transaction with its Parent Company for the settlement of a third-party phase I infrastructure contract amounting to AED 104 million. According to the transaction terms, this amount is repayable over 10 years and was recognised at a net present value of AED 57 million. A resultant gain of AED 9.3 million has been recognised as a transaction with a shareholder in the consolidated statement of changes in equity, representing the difference in value between the extinguishment of the previous liability and recognition of the new liability. The outstanding liability as at 31 December 2019 is carried at its amortised cost.

Key management remuneration

	2019 AED'000	2018 AED'000
Short term benefits	**11,213**	12,203
Long term benefits	**306**	328
	11,519	12,531

10. Trade and other receivables

Trade receivables	**73,010**	70,401
Impairment of trade receivables	**(23,410)**	(11,408)
	49,600	58,993
Prepayments and other receivables	**29,977**	55,005
Advances to suppliers	**19,789**	39,804
Interest receivable	**1,613**	5,011
	100,979	158,813
Current	**100,979**	158,813
Non-current	**-**	-
	100,979	158,813

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 for trade receivables of AED 23 million (31 December 2018: AED 11 million). The provision has been determined based on assumptions on risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs, based on the Group's history, existing market conditions as well as forward looking estimates at the end of each reporting period.

10. Trade and other receivables (continued)

	2019 AED'000	2018 AED'000
Movement in impairment of trade receivables		
As at 1 January	**11,408**	-
Reversals for the year	**(2,715)**	-
Expected credit loss charge for the year	**14,717**	11,408
As at 31 December	**23,410**	11,408

The Group has limited credit risk in respect of trade receivables arising from theme park admissions and hotel stays booked via trade and hotel partners as the majority of balances are either secured by collateral or the balance is insured via third-party insurance arrangements. The estimated ECLs for these trade receivables are calculated using both actual credit loss experience and forward-looking projections adjusted for any credit collateral in place, the result of which is not material to the trade receivables balance or the related impairment.

The Group seeks to limit its credit risk with respect to sponsorship partners and tenants by entering into contracts with top-tier customers, tracking historical business relationships and assessing default risk. The trade receivable balance as at 31 December 2019 primarily relates to a receivable against which a specific impairment provision has been recognised of AED 23.0 million (2018: AED 11.4 million). The estimated ECLs are calculated using both actual credit loss experience and forward-looking projections which resulted in no material impact on the impairment of these trade receivables.

At 31 December 2019, the Group's top 5 customers accounted for 62% (2018: 47%) of the gross trade receivables balance. Management is of the opinion that this concentration of credit risk will not result in a loss to the Group since these customers have an established record of meeting their financial commitments. Any potential impairment on the prepayment and other receivables and advances to suppliers' balances that are subject to the ECL model, is immaterial.

11. Derivative financial instruments

	31 December 2019		
	Positive fair value AED'000	**Negative fair value AED'000**	**Notional amount AED'000**
Interest rate swaps	**6,799**	**5,862**	**2,730,789**

	31 December 2018		
	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000
Interest rate swaps	71,165	-	2,896,831

The Group entered into interest rate swaps ('IRS') in relation to the term loan denominated in USD. These IRS have been designated as hedging instruments and are categorised as level 2 IRS as one or more of the significant inputs are not based on observable market data (Note 28). All the Group's IRS mature in 2021.

12. Other financial assets

	2019 AED'000	2018 AED'000
Fixed deposits	**100,000**	560,000
Restricted cash	**166,130**	169,609
	266,130	729,609

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

12. Other financial assets (continued)

Restricted cash comprises of:
- Fixed deposits held with banks with original maturity periods of more than three months and earning interest at rates ranging from 2% to 3% per annum.
- Cash reserves held in the Group's debt service reserve account as required under the terms of the Group's financing arrangements
- Cash margins placed with banks for issuing letters of credit
- Capital expenditure reserve in relation to the Group's hotel asset

13. Cash and cash equivalents

	2019 AED'000	2018 AED'000
Cash on hand	**3,088**	3,229
Cash at bank	**930,909**	1,049,772
Cash and cash equivalents	**933,997**	1,053,001

Cash at bank includes call accounts that earn interest of up to 1% per annum (31 December 2018: 1%) and short-term deposits held by banks with original maturity periods of three months or less that earn interest at rates ranging from 2% to 3% (31 December 2018: 2% to 3%) per annum.

14. Share capital

	2019 AED'000	2018 AED'000
Authorised capital 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	**7,999,913**	7,999,913

15. Convertible bond

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	**1,255,647**	-
Carrying value of SSL and accrued interest at issue date	**-**	412,004
Proceeds from issuance of convertible bond	**-**	804,800
Accrued interest during the year	**107,194**	38,843
	1,362,841	1,255,647
Less: Residual value of equity component	**(65,717)**	(65,717)
Carrying amount of liability component	**1,297,124**	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 subordinated shareholder loan ("SSL") balance including accrued interest thereon was incorporated into the convertible bond.

The fully issued convertible bond has a maturity date of 30 June 2026 and carries a coupon of 8 per cent per annum compounded quarterly with the coupon payable on the maturity date, unless converted earlier. 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 2019, the convertible bonds had been fully issued.

16. Bank facilities

	2019 AED'000	2018 AED'000
Term loans	**4,158,026**	4,158,026
Gross borrowing costs	**306,466**	306,392
Less: Cumulative amortisation	**(118,157)**	(89,170)
Un-amortised borrowing costs	**188,309**	217,222
Carrying amount	**3,969,717**	3,940,804

	2019 AED'000	2018 AED'000
Later than 1 year and not longer than 2 years	**213,248**	-
Later than 2 years and not longer than 5 years	**1,093,587**	819,989
Later than 5 years	**2,851,191**	3,338,037
Amounts due for settlement after 12 months	**4,158,026**	4,158,026
Amounts due for settlement within 12 months	**-**	-
	4,158,026	4,158,026

Term loans

a) The Group has bank facilities of AED 4.2 billion (31 December 2018: AED 5.2 billion) in the form of term loans which were fully utilised as at 31 December 2019 (31 December 2018: AED 4.2 billion). During the year the Group's remaining 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 the re-alignment, the Phase I principal quarterly 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 (Note 6), assignments of certain contracts, pledges over certain bank accounts and deposits, amounting to AED 769 million (2018: AED 1,070 million) and guarantees from the Ultimate Parent Company and the Parent Company.

Letters of credit

As at 31 December 2019, the Group has facilities in relation to letters of credit amounting to AED 200 million (31 December 2018: AED 200 million) and outstanding letters of credit amounting to AED 10 million (31 December 2018: AED 46 million). The letters of credit are secured by way of 100% cash margins.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

16. Bank facilities (continued)

Net debt reconciliation

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 2019 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 2019 AED'000**
Convertible bond (including compounding interest payable)	**1,189,930**	**-**	**-**	**-**	**107,194**	**1,297,124**
Bank borrowing (including simple interest payable)	**4,158,026**	**(225,890)**	**-**	**-**	**225,890**	**4,158,026**
Lease liability	**526,508**	**(9,075)**	**-**	**-**	**(84,755)**	**432,678**
	5,874,464	**(234,965)**	**-**	**-**	**248,329**	**5,887,828**
Less: cash and cash equivalents						**(933,997)**
Less: other financial assets						**(266,130)**
Net Debt						**4,687,701**

		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 (including compounding interest payable)	-	804,800	(65,717)	-	450,847	1,189,930
Loan from related parties	245,200	150,000	-	-	(395,200)	-
Bank borrowing (including simple interest payable)	4,158,026	(272,530)	-	-	272,530	4,158,026
Lease liability	303,246	(66,246)	-	252,496	37,012	526,508
	4,706,472	616,024	(65,717)	252,496	365,189	5,874,464
Less: cash and cash equivalents						(1,053,001)
Less: other financial assets						(729,609)
Net Debt						4,091,854

17. Trade and other payables

	2019 AED'000	2018 AED'000
Trade payables	**178,987**	228,229
Accrued expenses	**371,245**	507,428
Retentions payable	**197,784**	244,817
Rental and other advances	**20,527**	32,312
Deferred revenue (a)	**44,516**	41,869
Other liabilities	**112,246**	93,342
	925,305	1,147,997
Current	**833,315**	1,081,997
Non-current (b)	**91,990**	66,000
	925,305	1,147,997

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

17. Trade and other payables (continued)

(a) Deferred revenue

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	**41,869**	45,295
Cash collections and other movements	**97,038**	111,062
Revenue recognised during the year (Note 19)	**(94,391)**	(114,488)
Balance at the end of the year	**44,516**	41,869

Deferred revenue represents the Group's outstanding performance obligations in relation to:
- Upfront cash collections from annual pass sales and advance bookings
- Third party sponsorship agreements

and will be recognised as revenue within one year as the Group satisfies its performance obligations.

(b) The fair value of non-current liabilities has been estimated using a discount rate of 8% which approximates the effective interest rate. The renegotiation of the liability took place during the year with the remeasurement reported in the consolidated statement of profit and loss and other comprehensive income (refer to note 23).

18. Provisions

	2019 AED'000	2018 AED'000
Provision for other liabilities (a)	**36,791**	70,324
Employees' end-of-service benefits (b)	**8,736**	7,138
	45,527	77,462

(a) Provision for other liabilities

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	**70,324**	-
Charge for the year	**-**	70,324
Amounts utilised during the year	**(33,533)**	-
Balance at the end of the year	**36,791**	70,324

Provision for other liabilities represent potential termination and delay penalties as well as demobilisation costs associated with certain of the Group's construction and consultancy agreements. The provision represents managements best estimate of the potential outflow, however the timing of the outflow is uncertain.

(b) Employees' end-of-service benefits

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	**7,138**	5,280
Charge for the year	**4,605**	3,928
Amounts paid during the year	**(3,007)**	(2,070)
Balance at the end of the year	**8,736**	7,138

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

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

19. Revenue

	2019 AED'000	2018 AED'000
Revenue from contracts with customers - *Point in time*		
Admission revenue (excluding annual passes)	**159,124**	184,176
Sales of food and beverage	**72,320**	81,940
Sale of merchandise	**33,293**	42,821
Other	**19,677**	22,208
	284,414	331,145
Revenue from contracts with customers - *Over time*		
Accommodation revenue	**61,406**	68,566
Sponsorship revenue	**61,372**	68,370
Admission revenue (annual passes)	**33,019**	46,118
Management fees	**3,849**	5,150
	159,646	188,204
Lease revenues	**47,138**	21,122
	491,198	540,471

During the year ended 31 December 2019, the Group entered into a settlement agreement with a multiple unit tenant for the recovery of long outstanding dues for rental and other related charges amounting to AED 40.5 million of which AED 33.6 million has been included in lease revenues and AED 6.9 million has been presented net within 'Salaries, depreciation and other expenses' (Note 20).

Of the AED 40.5 million recovered, AED 38.8 million has been assessed as non-recurring in nature and accordingly has been excluded from adjusted EBITDA (Note 26).

20. Salaries, depreciation and other expenses

	2019 AED'000	2018 AED'000
Salaries and other employee benefits *	**224,625**	292,057
Depreciation (Note 6)	**383,489**	473,362
Utility charges	**63,953**	74,178
Management and royalty fees	**55,701**	55,739
Repairs and maintenance	**36,333**	59,309
Supplies, communication and IT expenses	**36,229**	38,346
Rent expense	**17,990**	40,549
Outsourced entertainment and music	**16,005**	7,750
Provision for doubtful debts	**12,002**	11,408
Other	**35,292**	49,558
	881,619	1,102,256

* Includes pension contributions for U.A.E. nationals that are made by the Group in accordance with Federal Law No. 7 of 1999; and an AED 3.3 million reduction in expense resulting from non-recourse grants received from the Parent towards the salaries and other employee benefits of U.A.E. nationals.

21. Other direct costs

	2019 AED'000	2018 AED'000
Food and beverage	**20,881**	22,351
Merchandise	**15,374**	23,060
Other	**8,871**	27,261
	45,126	72,672

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

22. Finance costs

	2019 AED'000	2018 AED'000
Interest on term loan	**226,103**	220,840
Interest on convertible bond / SSL	**107,220**	50,755
Interest on leases	**45,256**	46,917
Amortization of borrowing costs	**28,987**	31,662
Discount unwinding on long term liabilities	**6,452**	-
	414,018	350,174

23. Finance income

	2019 AED'000	2018 AED'000
Gain on modification of financial liabilities	**27,098**	-
Interest on deposits	**22,188**	32,657
	49,286	32,657

24. Other income - net

	2019 AED'000	2018 AED'000
Gain on transfer of land to an equity accounted investee	**-**	17,034
Reimbursement of municipality tax	**5,414**	7,397
One-time employee related provisions	**(12,256)**	(4,025)
Release of deferred liability	**-**	31,632
Gain on lease modifications (Note 6(d))	**9,340**	-
Other	**1,806**	(1,896)
	4,304	50,142

25. 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.

	2019	2018
Loss attributable to equity holders of the Company (in AED'000)	**(854,554)**	(2,543,029)
Weighted average number of shares (in '000)		
Outstanding at 1 January	**7,999,913**	7,999,913
Issue of new shares	**-**	-
Outstanding at 31 December	**7,999,913**	7,999,913
Basic and dilutive loss per share (in AED)	**(0.107)**	(0.318)

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

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

26. Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)

Management presents adjusted EBITDA as a key performance measure and believes it to be relevant to the understanding of the Group's financial performance. Adjusted EBITDA for the Group is calculated by adjusting loss for the period to exclude the impact of finance costs, finance income, depreciation and non-recurring expenses and income. Adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of adjusted EBITDA may not be comparable with similarly captioned performance measures and disclosures by other entities. The reconciliation of loss for the period to adjusted EBITDA is included below:

	2019 AED'000	2018 AED'000
Loss for the year	**(854,554)**	(2,543,029)
Adjusted for:		
Depreciation	**383,489**	473,362
Impairment losses and other related charges	**-**	1,541,738
Finance costs	**414,018**	350,174
Finance income	**(49,286)**	(32,657)
EBITDA	**(106,333)**	(210,412)
Adjustments for non-recurring items:		
Non-recurring rental revenue and other related charges (Note 19)	**(38,760)**	-
Reimbursement of municipality tax (Note 24)	**(5,414)**	(7,397)
One-time employee related provisions (Note 24)	**12,256**	4,025
Gain on lease modifications (Note 24)	**(9,340)**	-
Gain on transfer of land to an equity accounted investee (Note 24)	**-**	(17,034)
Net release of deferred liability	**-**	(11,325)
Other non-recurring (income) / expense - net	**(1,484)**	3,576
Adjusted EBITDA	**(149,075)**	(238,567)

27. Commitments and contingent liabilities

(a) Commitments

Commitments for services received in relation to development and construction of assets classified under property and equipment amounted to AED 96 million as at 31 December 2019 (31 December 2018: AED 597 million).

(b) Lease rentals - Group as a lessee

	Future minimum lease payments		**Interest**		**Present value of minimum lease payments**	
	2019 AED'000	2018 AED'000	**2019 AED'000**	2018 AED'000	**2019 AED'000**	2018 AED'000
Not later than 1 year	**57,673**	89,655	**31,389**	46,610	**26,284**	43,045
Later than 1 year and not longer than 5 years	**255,418**	355,723	**196,470**	159,915	**58,948**	195,808
Later than 5 years	**993,689**	960,057	**646,243**	672,402	**347,446**	287,655
	1,306,780	1,405,435	**874,102**	878,927	**432,678**	526,508

(c) Operating lease rentals - Group as a lessor

	2019 AED'000	2018 AED'000
Not later than 1 year	**22,619**	27,635
Later than 1 year and not longer than 5 years	**8,832**	33,407
	31,451	61,042

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

27. Commitments and contingent liabilities (continued)

(d) Letter of credits

	2019 AED'000	2018 AED'000
Letters of credit	**10,462**	45,564

(e) 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.

Legal claim

An operating subsidiary of the Group is party to a litigation whereby the claimant to those proceedings is seeking an award against purported consultancy services provided in respect of certain sponsorship contracts. The Group believes that the amounts under the potential claim are not substantiated and will therefore be ultimately dismissed by the courts. Management has assessed the potential financial impact on the Group as low and believes that the amounts recognised to date and due as at the year-end date are reflective of the amounts due in the ordinary course of business.

28. 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

Financial assets	2019 AED'000	2018 AED'000
Trade receivables - net	**49,600**	58,993
Interest receivable	**1,613**	5,011
Other receivables (excluding prepayments and advances)	**20,557**	39,016
Due from related parties	**20,047**	19,982
Other financial assets	**266,130**	729,609
Cash and cash equivalents	**933,997**	1,053,001
Financial assets - at amortised cost	**1,291,944**	1,905,612
Derivative financial instrument - at fair value	**6,799**	71,165
Total financial assets	**1,298,743**	1,976,777

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

28. Financial instruments (continued)

(b) Categories of financial instruments (continued)

Financial liabilities	2019 AED'000	2018 AED'000
Trade payables	178,987	228,229
Accrued expenses	371,245	507,428
Retentions payable	197,784	244,817
Other liabilities	112,246	93,342
Due to related parties	57,526	1,400
Convertible bond - liability component	1,297,124	1,189,930
Bank facilities	4,158,026	4,158,026
Lease liabilities	432,678	526,508
Financial liabilities - at amortised cost	6,805,616	6,949,680
Derivative financial instrument - at fair value	5,862	-
Total financial liabilities	6,811,478	6,949,680

(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 that are due within a 12 month period from the balance sheet date 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.

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).

29. Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group such as market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk and investing excess cash, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

29. Financial risk management (continued)

(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 of between 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 (2018: LIBOR + 3.5% and EIBOR + 3.15% per annum) (Note 16). The Group's policy is to maintain at least 55% of its borrowings at fixed rate, using floating-to-fixed IRS to achieve this as necessary. During 2019 and 2018, the Group's borrowings at variable rate were mainly denominated in AED and US dollars. Swaps currently in place cover approximately 66% (2018 - 70%) of the variable loan principal outstanding. The Hedging ratio as of 31 December 2019 is 66% (2018 - 70%). The Group adopts a predetermined fixed / float mix and hedging strategy via interest rate derivatives ensuring that its exposure to significant changes in interest rates is reduced. This is achieved by entering into interest rate swaps. The swap contracts require settlement of net interest receivable or payable at the end of each quarter. The settlement dates coincide with the dates on which interest is payable on the underlying borrowing facilities. The swaps have the following settlement dates as at 31 December 2019:

	Within 1 year AED'000	Between 1 and 5 years AED'000
Derivative financial instruments - net settled income	7,896	7,032

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss; therefore, a change in interest rates at the reporting date would not affect profit or loss.

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 25 basis points higher / lower and all other variables were held constant, the Group's interest cost for the year ended 31 December 2019 would increase / decrease by AED 10 million (2018: AED 16 million). This is attributable to the Group's exposure to interest rates on its variable rate term loans.

(b) Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables, due from related parties, rent receivables and cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2019 **AED'000**	2018 AED'000
Trade and other receivables	**71,770**	103,020
Due from related parties	**20,047**	19,982
Other financial assets	**266,130**	729,609
Cash held with banks	**930,909**	1,049,772
	1,288,856	1,902,383

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Group seeks to limit its credit risk with respect to customers by reviewing credit to individual customers by tracking their historical business relationship and default risk.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

29. Financial risk management (continued)

(b) Credit risk management (continued)

Due from related parties

The Group's due from related parties comprise amounts receivable from the Parent and its subsidiaries mainly related to the provision of project management services performed by the Group and any impairment would be immaterial.

Cash and cash equivalents

Cash is placed with local and international banks of good credit reputation. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The cash and cash equivalents at the balance sheet date is placed with local banks having credit ratings Aa3 to A-.

(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 (including holding fixed deposits at banks to meet liquidity needs), and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities (including entering into netting off agreements where appropriate).

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.

Financial Liabilities

	Within 1 year AED'000	Between 1 and 5 years AED'000	Over 5 years AED'000	**Total AED'000**
2019				
Convertible bond*	-	-	2,224,297	**2,224,297**
Bank facilities	228,400	2,109,235	3,051,991	**5,389,626**
Due to related parties	3,551	14,205	28,410	**46,166**
Trade and other payables (excluding deferred revenue and advances)	806,861	50,171	28,411	**885,443**
	1,038,812	2,173,611	5,333,109	**8,545,532**
2018				
Convertible bond*	-	-	2,224,297	**2,224,297**
Bank facilities	225,890	1,677,400	3,712,100	**5,615,390**
Due to related parties	-	1,400	-	**1,400**
Trade and other payables (excluding deferred revenue and advances)	1,073,816	-	-	**1,073,816**
	1,299,706	1,678,800	5,936,397	**8,914,903**

*The interest payable is calculated on the assumption that the bond is not converted to equity.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

29. Financial risk management (continued)

(d) Liquidity risk management (continued)

Financial assets

	Within 1 year AED'000	Between 1 and 5 years AED'000	Over 5 years AED'000	**Total AED'000**
2019				
Trade and other receivables (excluding prepayments and advances)	71,770	-	-	**71,770**
Due from related parties	20,047	-	-	**20,047**
Restricted cash	266,130	-	-	**266,130**
Cash and cash equivalents	933,997	-	-	**933,997**
	1,291,944	-	-	**1,291,944**
2018				
Trade and other receivables (excluding prepayments and advances)	103,020	-	-	**103,020**
Due from related parties	19,982	-	-	**19,982**
Restricted cash	729,609	-	-	**729,609**
Cash and cash equivalents	1,053,001	-	-	**1,053,001**
	1,905,612	-	-	**1,905,612**

30. 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.

31. Prior year restatement and change in presentation

Change in presentation

During the year ended 31 December 2019, management has amended the presentation of the consolidated statement of financial position using the current / non-current distinction by including the separate classifications between current and non-current assets and current and non-current liabilities, where previously all assets and liabilities had been presented in order of liquidity. Further management has amended the presentation of the consolidated statement of profit or loss and other comprehensive income by presenting the analysis of expenses using a classification based on nature, where previously the analysis of expenses had been presented using a classification based on function. The method of presentation has been amended to enhance the users understanding of the Group's performance.

Prior year restatement

During the year ended 31 December 2018 and periods prior, management had classified retail properties as investment properties. Under IAS 40 'Investment properties', there is an inherent assumption that investment properties are able to generate cash flows independently. As detailed in note 6, management have therefore restated the consolidated financial statements and classified the retail properties as property and equipment as opposed to investment properties as these were previously classified within a separate CGU in the prior year.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

31. Prior year restatement and change in presentation (continued)

Prior year restatement (continued)

As the effects of both the above restatements do not impact equity, management has elected not to present a third consolidated statement of financial position. The impact on the key line items in the consolidated financial statements of the restatement as at 1 January 2018 and 31 December 2018 are as follows:

	Property and equipment			Investment properties		
As at 1 January 2018	Cost AED'000	Accumulated depreciation and impairment AED'000	Carrying amount AED'000	Cost AED'000	Accumulated depreciation AED'000	Carrying amount AED'000
Previously reported	10,155,609	502,241	9,653,368	558,263	22,620	535,643
Restatement	558,263	22,620	535,643	(558,263)	(22,620)	(535,643)
Restated balances	**10,713,872**	**524,861**	**10,189,011**	-	-	-

	Property and equipment			Investment properties		
As at 31 December 2018	Cost AED'000	Accumulated depreciation and impairment AED'000	Carrying amount AED'000	Cost AED'000	Accumulated depreciation AED'000	Carrying amount AED'000
Previously reported	10,475,221	2,387,864	8,087,357	554,985	43,077	511,908
Restatement	554,985	43,077	511,908	(554,985)	(43,077)	(511,908)
Restated balances	**11,030,206**	**2,430,941**	**8,599,265**	-	-	-

32. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and signed for issuance on 12 February 2020.