

GAINING MOMENTUM

Financial Statements 2019

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Directors' Report

The directors have the pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

Details of the subsidiaries are disclosed in Note 16 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

Information in respect of the Group's Operating Agreements with the Government of Malaysia (GoM) and the foreign subsidiary's Implementation Agreement, including both the obligations and operations are disclosed in Notes 1.2 and 1.3 to the financial statements.

RESULTS

	Group	Company
	RM'000	RM'000
Profit net of tax	537,042	300,806
Profit attributable to:		
Owners of the Company	537,042	300,806

There were no material transfers to or from reserves or provisions during the financial year, other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than those as disclosed in the notes to the financial statements.

SHARE CAPITAL

There was no issuance of equity during the current financial year.

Directors' Report (cont'd.)

DIVIDENDS

The amount of dividends declared or paid by the Company since 31 December 2018 were as follows:

	RM'000
In respect of the financial year ended 31 December 2018 as reported in the directors' report of that year:	
Single-tier final dividend of 9 sen, on 1,659,191,828 ordinary shares, declared on 2 May 2019 and paid on 31 May 2019	149,327
In respect of the financial year ended 31 December 2019:	
Single-tier interim dividend of 5 sen, on 1,659,191,828 ordinary shares, declared on 30 August 2019 and paid on 1 October 2019	82,960
	232,287

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2019, of 10 sen on 1,659,191,828 ordinary shares on single-tier basis, with a total quantum of RM165,919,183 will be proposed for shareholders' approval (Proposed Final Dividend).

The financial statements for the current financial year do not reflect Proposed Final Dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Tan Sri Datuk Zainun binti Ali (appointed on 18 January 2019)
 Datuk Seri Yam Kong Choy
 Datuk Zalekha binti Hassan
 Rosli bin Abdullah
 Dato' Ir. Mohamad bin Husin
 Datuk Azailiza binti Mohd Ahad
 Jamilah binti Dato' Hashim
 Ramanathan a/l Sathiamutty (appointed on 1 January 2019)
 Wong Shu Hsien (appointed on 7 March 2019)
 Dato' Jana Santhiran a/l Muniayan (appointed on 14 June 2019)
 Dato' Zamzuri bin Abdul Aziz (appointed on 10 February 2020)
 Dato' Dr. Amiruddin bin Muhamed [alternate director to Dato' Zamzuri bin Abdul Aziz] (appointed on 10 February 2020)
 Datuk Siti Zauyah binti Md Desa (resigned on 30 November 2019)
 Dato' Mohd Izani bin Ghani (resigned on 28 February 2019)
 Mohd Khairul Adib bin Abd Rahman (resigned on 31 January 2019)
 Y.A.M. Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail (resigned on 17 January 2019)

Directors' Report (cont'd.)

DIRECTORS OF SUBSIDIARIES

The following is a list of directors of the subsidiaries (excluding directors who are also directors of the Company) in office since the beginning of the financial year to the date of this report:

Dato' Mohd Shukrie bin Mohd Salleh (appointed on 16 January 2020)
 Dato' Mohd Izani bin Ghani
 Dato' Abu Bakar bin Mohd Nor
 Dato' Dr. Mohd Fauzi bin Ramlan
 Dato' Che Azmi bin Murad
 Datin Nik Ruziah binti Nik Mohd Salleh
 Mohd Shihabuddin bin Mukhtar
 Samuel Ooi Thean Aun (appointed on 5 March 2019)
 Mansoor bin Wan Abdullah
 Vivienne Lee Swee Lian @ Lee Abdullah
 Mohamed bin Rastam Shahrom (appointed on 16 January 2020)
 Ahmad Tarmizi bin Mohd Hashim
 Ahmad Rizal bin Omar (appointed on 10 May 2019)
 Darwish Abdulla D Al-Darwish
 Ir. Khairiah binti Haji Salleh
 Ir. Suradini binti Abdul Ghani
 Karina binti Dato' Muhammad Nor (appointed on 5 January 2020)
 Lindayani binti Tajudin
 Mohammad Suhaimi bin Abdul Mubin
 Mohammad Nazli bin Abdul Aziz
 Nornajihah binti Ismail
 Randhill Singh a/l Amrick Singh
 Rosli bin Abdul Wahab
 Veelayudan a/l Krishnan Nair
 Halil Ucarer
 Shameem Kureemun
 Abdurrahman Seref Can
 Georges Valery Magon
 Navin Nagawa [alternate director to Georges Valery Magon]
 Zainol bin Mohd Isa (resigned on 24 January 2020)
 Raja Azmi bin Raja Nazuddin (resigned on 6 January 2020)
 Lee Yiang Ming (resigned on 6 January 2020)
 Azrin bin Abdul Majid (resigned on 30 September 2019)
 Radin Asrul Adza bin Radin Soenarno (resigned on 5 July 2019)
 Azli bin Mohamed (resigned on 21 April 2019)
 Selvendran a/l Katheerayson (resigned on 14 February 2019)
 Fayaz Doobarry [alternate director to Shameem Kureemun] (resigned on 28 June 2019)

Directors' Report (cont'd.)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 8 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

The directors and officers of the Group and of the Company are covered by the Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance is maintained on a group basis and the total premium paid by the Group during the current financial year amounted to RM105,200.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, none of the directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Directors' Report (cont'd.)

OTHER STATUTORY INFORMATION (CONT'D.)

- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENT DURING THE YEAR

Significant event during the year is disclosed in Note 38 to the financial statements.

AUDITORS

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

The remuneration of the auditors for the Group and the Company are disclosed in Note 7 to the financial statements.

Directors' Report (cont'd.)

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young PLT during the current financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 February 2020.

Tan Sri Datuk Zainun binti Ali

Datuk Seri Yam Kong Choy

Kuala Lumpur, Malaysia

Statement by Directors

Pursuant to Section 251(2) of the Companies Act, 2016

We, Tan Sri Datuk Zainun binti Ali and Datuk Seri Yam Kong Choy, being two of the directors of Malaysia Airports Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 15 to 148 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 February 2020.

Tan Sri Datuk Zainun binti Ali

Datuk Seri Yam Kong Choy

Kuala Lumpur, Malaysia

Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Mohamed bin Rastam Shahrom (MIA Number: 24197), being the officer primarily responsible for the financial management of Malaysia Airports Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 15 to 148 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

**Subscribed and solemnly declared by the
abovenamed Mohamed bin Rastam Shahrom
at Kuala Lumpur in the Federal Territory
on 28 February 2020.**

Mohamed bin Rastam Shahrom

Before me,

Independent Auditors' Report

To The Members of Malaysia Airports Holdings Berhad
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Malaysia Airports Holdings Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 148.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Independent Auditors' Report

To The Members of Malaysia Airports Holdings Berhad (cont'd.)
(Incorporated in Malaysia)

KEY AUDIT MATTERS (CONT'D.)

Impairment of intangible assets

The intangible assets represent a significant amount on the statement of financial position of the Group as disclosed in Note 15 to the financial statements. Under Malaysian Financial Reporting Standards ("MFRS"), the Group is required to test the amount of intangible assets with finite useful life for impairment by comparing its recoverable amount with its carrying amount whenever there is an indication that the intangible assets may be impaired. Due to the challenging operating environment in Turkey, there is an indication that the assets in Istanbul Sabiha Gokcen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş. ("ISG") may be impaired.

We focused on this area because the determination of whether or not an impairment charge for intangible assets is necessary involves significant judgements by the directors about the future results of the business and assessment of future plans for the Group's assets.

We evaluated the Component team's procedures, which included the evaluation of the directors' impairment calculations, assessment of the cash flow forecasts and projections used in the models, and the process by which they were drawn up and testing the underlying calculations. The Component team challenged:

- The key assumptions for long-term growth rates in the forecasts by comparing them to historical results, and economic and industry forecasts; and
- The discount rate by assessing the cost of capital and that of comparable organisations.

The Component team also performed sensitivity analysis around the key drivers of growth rates of the cash flow forecasts, including revenue growth. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the assets to be impaired, the Component team considered the range of outcomes from changes to the key assumptions.

Litigation

The recognition and measurement of provisions and the measurement and disclosure of contingent liabilities in respect of litigation requires significant judgement. We focused on this area due to the significance of potential provisions and the complexities in assessing and measuring obligations resulting from ongoing legal matters.

We assessed the controls over the identification, evaluation and measurement of potential obligations arising from legal matters. For matters identified, we considered whether an obligation exists, the appropriateness of provisions and/or disclosure based upon the facts and circumstances available. In order to determine facts and circumstances, we performed a series of procedures including the examination of litigation related documents and discussions with Group's internal and external legal advisors. We then assessed the director's conclusions and key judgements applied.

Additionally, we considered whether the Group's disclosures of the application of judgement in estimating provisions and contingent liabilities adequately reflected the uncertainties associated with litigation.

Independent Auditors' Report

To The Members of Malaysia Airports Holdings Berhad (cont'd.)
(Incorporated in Malaysia)

KEY AUDIT MATTERS (CONT'D.)

Amortisation of intangible assets

As at 31 December 2019, the net book value of intangible assets amount to RM16.1 billion as disclosed in Note 15 to the financial statements. The useful lives of the intangible assets are amortised on usage based method.

We focused on this area because the Group's amortisation policy in respect of intangible assets are determined on the method reflecting the asset's usage based on passenger volume and usage of airport activities over the concession period which involves significant judgements made by the directors.

Malaysia Operations

We evaluated the directors' amortisation calculations, assessing the future passenger volume forecasts used in the models over the extended operating period, and the process by which they were drawn up and testing the underlying calculations. In testing the underlying calculations, we challenged the key assumptions for long-term growth rates of the passenger volumes, in the forecast by comparing them to historical actual results, and economic and industry forecasts. We also evaluated directors' estimates of the passenger growth and maximum capacity of passengers taking into consideration external studies and industry benchmarks.

Turkey Operations

We evaluated the Component team's evaluation of the directors' amortisation calculations and the process by which they were drawn up and testing the underlying calculations. The Component team challenged the key assumptions for long-term growth rates of the passenger volumes, in the forecasts by comparing them to historical actual results, and economic and industry forecasts.

Recoverability of deferred tax assets

As at 31 December 2019, the Group's deferred tax assets amount to RM172.4 million as disclosed in Note 23 to the financial statements. We focus on this area as the recognition of these assets involves judgement by directors as to the likelihood of the realisation of these deferred tax assets, which is based on a number of factors, including whether there will be sufficient taxable profits in future periods to support recognition.

Our procedures in relation to directors' assessment about the recoverability of deferred tax assets included:

- Understanding and assessing the identification process of temporary differences and calculating deferred tax assets; and
- Evaluating directors' assessment on the sufficiency of future taxable profits in support of the recognition of deferred tax assets by comparing director's forecasts of future profits to historical results and evaluating the assumptions used in those forecasts.

Independent Auditors' Report

To The Members of Malaysia Airports Holdings Berhad (cont'd.)
(Incorporated in Malaysia)

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

If, based on the work we have performed, 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 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Group and of the Company and take appropriate action.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditors' Report

To The Members of Malaysia Airports Holdings Berhad (cont'd.)
(Incorporated in Malaysia)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company 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 auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company 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 financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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 the directors 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.

Independent Auditors' Report

To The Members of Malaysia Airports Holdings Berhad (cont'd.)
(Incorporated in Malaysia)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' 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.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Kuala Lumpur, Malaysia
28 February 2020

Ahmad Qadri Bin Jahubar Sathik
No. 03254/05/2020 J
Chartered Accountant

Statements of Profit or Loss

For the financial year ended 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	3	5,213,107	4,851,702	295,877	357,510
Cost of inventories sold		(435,628)	(421,343)	-	-
Other income	4	265,539	547,045	438,809	418,723
Employee benefits expenses	5	(919,960)	(836,085)	(203,067)	(158,836)
Construction costs		-	(65,557)	-	-
Depreciation and amortisation		(941,578)	(887,479)	(17,776)	(15,883)
Other expenses		(1,831,046)	(1,692,218)	(72,358)	(72,237)
Finance costs	6	(726,001)	(745,591)	(140,629)	(147,649)
Share of results of associates	17	15,294	12,821	-	-
Share of results of joint ventures	18	19,424	17,297	-	-
Profit before tax and zakat	7	659,151	780,592	300,856	381,628
Taxation and zakat	9	(122,109)	(53,289)	(50)	55
Profit net of tax		537,042	727,303	300,806	381,683
Profit attributable to:					
Owners of the Company		537,042	727,303	300,806	381,683
Earnings per share attributable to Owners of the Company					
(sen per share)					
- basic, for profit for the year	10	28.90	40.37		

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Statements of Comprehensive Income

For the financial year ended 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Profit net of tax		537,042	727,303	300,806	381,683
Other comprehensive income:					
Foreign currency translation		(66,249)	(29,911)	-	-
Unrealised gain on derivative financial instruments	32	6,871	3,689	-	-
Actuarial loss on retirement benefits	29(b)(iii)	(3,103)	(2,812)	-	-
Other comprehensive loss for the year, net of tax		(62,481)	(29,034)	-	-
Total comprehensive income for the year		474,561	698,269	300,806	381,683
Total comprehensive income attributable to:					
Owners of the Company		474,561	698,269	300,806	381,683

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

		Group	
		2019	2018
	Note	RM'000	RM'000
Assets			
Non-current assets			
Property, plant and equipment	12	455,048	418,849
Land use rights	13	6,817	6,926
Right-of-use assets	14	130,425	-
Intangible assets	15	16,062,606	16,764,994
Investments in associates	17	126,977	113,783
Investments in joint ventures	18	104,210	96,818
Financial assets at fair value through profit or loss	19	332,898	353,573
Trade and other receivables	21	365,588	37,586
Employee loans	22	24,759	26,785
Deferred tax assets	23	172,373	190,913
		17,781,701	18,010,227
Current assets			
Inventories	24	169,809	127,896
Biological assets	25	2,365	1,641
Trade and other receivables	21	973,653	1,283,531
Tax recoverable		46,173	95,622
Financial assets at fair value through profit or loss	19	1,755,820	1,303,715
Cash and cash equivalents	26	1,453,136	1,450,471
		4,400,956	4,262,876
Total assets		22,182,657	22,273,103

Consolidated Statement of Financial Position (cont'd.)

As at 31 December 2019

		Group	
		2019	2018
	Note	RM'000	RM'000
Equity and liabilities			
Equity attributable to Owners of the Company			
Share capital	27	5,114,341	5,114,341
Perpetual Sukuk	31	997,842	997,842
Retained earnings	28	3,284,671	3,037,416
Hedging reserve	32	(18,031)	(24,902)
Foreign exchange reserve	29(a)	(54,205)	12,044
Other reserves	29(b)	758	3,985
Total equity		9,325,376	9,140,726
Non-current liabilities			
Borrowings	30	3,685,721	4,930,929
Derivative financial instruments	32	33,861	49,600
Lease liabilities	33	95,586	-
Trade and other payables	34	4,851,810	5,099,559
Deferred tax liabilities	23	901,183	919,643
		9,568,161	10,999,731
Current liabilities			
Borrowings	30	1,247,012	212,357
Derivative financial instruments	32	16,198	7,497
Lease liabilities	33	37,250	-
Trade and other payables	34	1,956,793	1,896,950
Income tax payable		31,867	15,842
		3,289,120	2,132,646
Total liabilities		12,857,281	13,132,377
Total equity and liabilities		22,182,657	22,273,103

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Statement of Financial Position

As at 31 December 2019

		Company	
		2019	2018
	Note	RM'000	RM'000
Assets			
Non-current assets			
Property, plant and equipment	12	94,681	80,721
Right-of-use assets	14	581	-
Investments in subsidiaries	16	2,274,899	2,274,899
Investments in joint ventures	18	53,718	53,718
Financial assets at fair value through profit or loss	19	21,894	36,124
Other receivables	21	4,406,462	4,301,799
		6,852,235	6,747,261
Current assets			
Inventories	24	13	13
Other receivables	21	2,390,566	2,421,623
Tax recoverable		2,060	2,855
Financial assets at fair value through profit or loss	19	383,651	480,696
Cash and cash equivalents	26	37,860	115,972
		2,814,150	3,021,159
Total assets		9,666,385	9,768,420

Statement of Financial Position (cont'd.)

As at 31 December 2019

		Company	
		2019	2018
	Note	RM'000	RM'000
Equity and liabilities			
Equity attributable to Owners of the Company			
Share capital	27	5,114,341	5,114,341
Perpetual Sukuk	31	997,842	997,842
Retained earnings	28	231,211	220,192
Total equity		6,343,394	6,332,375
Non-current liabilities			
Borrowings	30	2,100,000	3,100,000
Lease liabilities	33	200	-
		2,100,200	3,100,000
Current liabilities			
Borrowings	30	1,000,000	-
Lease liabilities	33	394	-
Other payables	34	222,397	336,045
		1,222,791	336,045
Total liabilities		3,322,991	3,436,045
Total equity and liabilities		9,666,385	9,768,420

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Statements of Changes In Equity

For the financial year ended 31 December 2019

	Attributable to Owners of the Company					
	Non-distributable			Distributable		
	Share capital RM'000	Perpetual Sukuk RM'000	Foreign exchange reserve RM'000	Hedging reserve RM'000	Other reserves RM'000	Total equity RM'000
Note	(Note 27)	(Note 31)	(Note 29(a))	(Note 32)	(Note 29(b))	(Note 28)
Group						
At 1 January 2018	5,114,341	997,842	41,955	(28,591)	6,891	2,583,308
Total comprehensive income	-	-	(29,911)	3,689	(2,812)	698,269
Legal reserve	29(b)(ii)	-	-	-	(94)	(94)
Distribution to Perpetual Sukuk holder	31	-	-	-	-	(57,500)
Transaction with Owners of the Company						
Dividends	11	-	-	-	-	(215,695)
At 31 December 2018	5,114,341	997,842	12,044	(24,902)	3,985	3,037,416
At 1 January 2019	5,114,341	997,842	12,044	(24,902)	3,985	3,037,416
Total comprehensive income	-	-	(66,249)	6,871	(3,103)	474,561
Legal reserve	29(b)(ii)	-	-	-	(124)	(124)
Distribution to Perpetual Sukuk holder	31	-	-	-	-	(57,500)
Transaction with Owners of the Company						
Dividends	11	-	-	-	-	(232,287)
At 31 December 2019	5,114,341	997,842	(54,205)	(18,031)	758	3,284,671
						9,325,376

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Statements of Changes In Equity (cont'd.)

For the financial year ended 31 December 2019

Attributable to Owners of the Company					
Non-distributable					
		Share capital	Perpetual Sukuk	Distributable retained earnings	Total equity
		RM'000	RM'000	RM'000	RM'000
	Note	(Note 27)	(Note 31)	(Note 28)	
Company					
At 1 January 2018					
Total comprehensive income		5,114,341	997,842	111,704	6,223,887
Distribution to Perpetual Sukuk holder	31	-	-	381,683	381,683
		-	-	(57,500)	(57,500)
Transaction with Owners of the Company					
Dividends	11	-	-	(215,695)	(215,695)
At 31 December 2018					
		5,114,341	997,842	220,192	6,332,375
At 1 January 2019					
Total comprehensive income		5,114,341	997,842	220,192	6,332,375
Distribution to Perpetual Sukuk holder	31	-	-	300,806	300,806
		-	-	(57,500)	(57,500)
Transaction with Owners of the Company					
Dividends	11	-	-	(232,287)	(232,287)
At 31 December 2019					
		5,114,341	997,842	231,211	6,343,394

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Statements of Cash Flows

For the financial year ended 31 December 2019

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before tax and zakat	659,151	780,592	300,856	381,628
Adjustments for:				
Interest income	(32,648)	(50,055)	(2,258)	(2,944)
Unrealised (gain)/loss on fair value for:				
- unit trust	(5,009)	(1,222)	(2,452)	-
- unquoted shares	3,802	(275,641)	-	-
Dividend income	-	-	(295,877)	(357,510)
Interest expense	724,515	732,745	140,629	147,649
Loss from derivative financial instruments	1,486	12,846	-	-
Provision for liabilities	13,747	4,857	-	-
Writeback of provision for liabilities	(3,677)	(1,900)	(1,050)	(897)
(Gain)/loss on fair value of biological assets	(724)	891	-	-
Amortisation of:				
- intangible assets	845,070	828,241	-	-
- land use rights	109	108	-	-
Depreciation of:				
- property, plant and equipment	60,601	59,130	17,218	15,883
- right-of-use assets	35,798	-	558	-
Net (writeback)/allowances of impairment on receivables	(18,968)	18,035	(34)	(5,200)
Bad debt written off	5,745	9,128	-	5,502
Gain on disposal of:				
- property, plant and equipment	-	(8)	-	-
- quoted unit trust	(1,005)	-	(834)	-
- investment in associate	-	(28,178)	-	-
Property, plant and equipment written off	-	1,072	-	827
Intangible assets written off	13	8,797	-	-
Balance carried forward	2,288,006	2,099,438	156,756	184,938

Statements of Cash Flows (cont'd.)

For the financial year ended 31 December 2019

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (cont'd.)				
Adjustments for: (cont'd.)				
Balance brought forward	2,288,006	2,099,438	156,756	184,938
Inventories written off	1,590	3,410	-	-
Investment income	(69,731)	(54,138)	(14,470)	(9,017)
Share of results of:				
- associates	(15,294)	(12,821)	-	-
- joint ventures	(19,424)	(17,297)	-	-
Operating profit before working capital changes	2,185,147	2,018,592	142,286	175,921
(Increase)/decrease in inventories	(43,776)	9,380	-	-
Decrease/(increase) in receivables	27,202	(55,015)	-	(3,124)
Increase/(decrease) in payables	79,161	192,535	(68,449)	15,294
Decrease in concession liabilities	(15,182)	(29,094)	-	-
Decrease in provisions for liabilities	(5,107)	(4,252)	-	(52)
Changes in related company balances	-	-	(126,842)	453,340
Cash generated from/(used in) operations	2,227,445	2,132,146	(53,005)	641,379
Taxes and zakat paid	(98,601)	(103,494)	(514)	(634)
Net cash generated from/(used in) operating activities	2,128,844	2,028,652	(53,519)	640,745
Cash flows from investing activities				
Purchase of:				
- property, plant and equipment	(64,048)	(54,591)	(31,178)	(25,964)
- intangible assets	(425,838)	(407,663)	-	-
- quoted unit trust	(1,518,885)	(137,260)	(379,057)	(50,109)
Proceeds from disposal of:				
- property, plant and equipment	-	11	-	-
- intangible assets	21	-	-	-
- quoted unit trust	1,132,255	69,661	505,301	69,661
Balance carried forward	(876,495)	(529,842)	95,066	(6,412)

Statements of Cash Flows (cont'd.)

For the financial year ended 31 December 2019

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities (cont'd.)				
Balance brought forward	(876,495)	(529,842)	95,066	(6,412)
Additional investment in an associate	-	(62,000)	-	-
Additional investment in subsidiaries	-	-	-	(311,997)
Investment income received	29,739	54,138	13,985	9,017
Interest received	3,276	3,060	1,311	1,132
Dividend received from:				
- associates	2,100	6,000	-	-
- joint ventures	12,032	12,510	12,032	12,510
- subsidiaries	-	-	283,845	345,000
Net cash (used in)/generated from investing activities	(829,348)	(516,134)	406,239	49,250
Cash flows from financing activities				
Repayment of borrowings	(162,600)	(367,950)	-	(250,000)
Swap payment	(17,980)	(8,723)	-	-
Concession payment	(539,430)	(452,394)	-	-
Lease liabilities payment	(42,685)	-	(574)	-
Interest paid	(228,743)	(233,023)	(140,629)	(147,649)
Dividends paid to shareholders of the Company	(232,287)	(215,695)	(232,287)	(215,695)
Distribution paid to Perpetual Sukuk holder	(57,342)	(57,815)	(57,342)	(57,815)
Net cash used in financing activities	(1,281,067)	(1,335,600)	(430,832)	(671,159)
Net movement in cash and cash equivalents	18,429	176,918	(78,112)	18,836
Effects of foreign currency translation	(15,764)	(19,838)	-	-
Cash and cash equivalents at beginning of year	1,450,471	1,293,391	115,972	97,136
Cash and cash equivalents at end of year (Note 26)	1,453,136	1,450,471	37,860	115,972

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Notes to the Financial Statements

31 December 2019

1. CORPORATE INFORMATION AND OPERATING AGREEMENTS

1.1 Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Malaysia Airports Corporate Office, Persiaran Korporat KLIA, 64000 KLIA, Sepang, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 16. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 February 2020.

1.2 Operating Agreements

On 12 February 2009, the Group signed the following:

- (i) Operating Agreement for K.L. International Airport (KLIA) - between the Company, Malaysia Airports (Sepang) Sdn. Bhd. (MA (Sepang)) and the Government of Malaysia (GoM); and
- (ii) Operating Agreement for Designated Airports - between the Company, Malaysia Airports Sdn. Bhd. (MASB) and the GoM.

The Operating Agreements include the following salient terms:

- (a) To restate the Group's respective rights and commitments with respect to the operation, management, maintenance and development of KLIA and the Designated Airports, and to terminate all prior rights and commitments arising from the concession agreement and lease agreement for KLIA entered into earlier between the GoM and MA (Sepang) save for rights and commitments expressly provided in the Operating Agreements for KLIA and the Designated Airports;
- (b) The settlement of Residual Payment owing by MA (Sepang) to the GoM in a manner that could not significantly deplete the cash reserves of the Group, and that would take into consideration the Group's financial resources and business plans;
- (c) MA (Sepang) and MASB (Malaysia Airports) have been granted a lease of the airport lands co-terminus with the operating period of 25 years commencing from 12 February 2009 via Lease Agreements signed between Federal Land Commissioner and Malaysia Airports, respectively on 12 February 2009;
- (d) In consideration for the GoM entering into the Operating Agreements for KLIA and Designated Airports, MA (Sepang) and MASB agree to pay the GoM a User Fee. User Fee is equal to a specified percentage of revenue that the Group derives from activities carried out at KLIA and Designated Airports;
- (e) Under the Operating Agreement, the GoM shall assist MAHB in bearing its socio-economic obligations by compensating MA (Sepang) and MASB with a marginal cost support sum (MARCS) as disclosed in Note 2.4(z) (iv) for marginal losses suffered, arising from the undertaking of socio-economic activities and GoM policies;

Notes to the Financial Statements (cont'd.)

31 December 2019

1. CORPORATE INFORMATION AND OPERATING AGREEMENTS (CONT'D.)

1.2 Operating Agreements (cont'd.)

The Operating Agreements include the following salient terms: (cont'd.)

- (f) The Operating Rights are granted by the GoM to further define and augment the rights of MA (Sepang) as a licensed airport operator and manager of KLIA, and MASB as a licensed airport operator and manager of the Designated Airports, and the Operating Rights shall run for a period of 25 years from 12 February 2009. In 2016, the GoM via a letter from the Ministry of Transport, dated 28 December 2016, has granted the Group an extension of the Operating Agreements for a period of 35 years on top of the existing 25 years from 12 February 2009. The Group and the respective agencies of GoM are finalising the terms and conditions in relation to the extension of the operating period; and
- (g) Under the Operating Agreements, these rights may be terminated by the GoM for certain prescribed reasons, including any default on the MAHB Group's obligations, any order being made, or a resolution being passed, for the winding-up, liquidation, or receivership of MAHB or its principal subsidiaries, MA (Sepang) or MASB, the execution of any judgement against a substantial portion of the assets of MAHB or MA (Sepang) or MASB, if MAHB, MA (Sepang) or MASB were to make an assignment or enter into an arrangement or composition with its creditors or the licenses held by MA (Sepang) or MASB to operate airports being revoked or suspended by the GoM. The Operating Agreements permit the GoM to expropriate the rights with three months' written notice if they determine, in their sole discretion, that it is in the national interest or in the interest of national security. Upon the GoM exercising its rights of termination, the GoM shall pay an amount to be determined by an independent valuer appointed by the GoM and the Group.

1.3 Implementation Agreement relating to Istanbul Sabiha Gokcen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş. (ISG)

ISG, via the Implementation Agreement signed with the Undersecretariat for Defence Industries, Turkey (the Administration) has been given the rights to operate Istanbul Sabiha Gokcen International Airport (ISGIA) for a period of 22 years commencing 1 May 2008. On 20 October 2017, ISG has signed an additional agreement with the Administration and gained an additional right to operate Facility for an extended period of 2.5 years until 27 August 2032.

The Implementation Agreement includes the following salient information:

- (a) The right to operate the ISGIA is transferred to ISG in exchange for the amount offered at the tender and completion of the construction with regards to establishment of ISGIA's New International Terminal Building and its Complementaries (the Construction), which include the construction of all infrastructures and superstructures, their connections to the main-system within the framework of the implementation including detailed projects to be drafted in accordance with tender specifications.
- (b) ISG is responsible for operating the domestic and international terminals currently available in the ISGIA in accordance with the principles and requirements of International Civil Aviation Organization (ICAO), European Civil Aviation Conference (ECAC), Airports Council International (ACI), European Organization for the Safety of Air Navigation (EUROCONTROL), Joint Aviation Authorities (JAA) and International Air Transport Association (IATA); principles and procedures set forth by the Airport Authority and other criteria set forth in the relevant legislation of the Directorate of Air Transportation of the Ministry of Transportation, Turkey. In respect of this operation, ISG charges all airlines with departing passenger service fee. In addition, the occupiers of the areas within the ISGIA, other than public entities and agencies are charged for general utilities (such as heating, cooling and ventilation).

Notes to the Financial Statements (cont'd.)

31 December 2019

1. CORPORATE INFORMATION AND OPERATING AGREEMENTS (CONT'D.)

1.3 Implementation Agreement relating to Istanbul Sabiha Gokcen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş. (ISG) (cont'd.)

The Implementation Agreement includes the following salient information: (cont'd.)

- (c) The passenger service fees for international and domestic lines are determined by the Ministry of Transportation, Turkey. In the event the passenger service fees increases above the amounts set in the Implementation Agreement, ISG shall pay 50% of the incremental increase to the Administration. In the event the passenger service fees decreases below the amounts set in the Implementation Agreement, 50% of the difference shall be deducted from the Utilisation Fee.
- (d) In accordance with the Implementation Agreement, the tariff regarding the counter, bridge revenues (bridge, 400 Hz, water), commercially important person (CIP), general aviation terminal, meeting, conference hall revenues (except for space allocation, lease and advertisement revenues) together with ticket sales, office allocation, left luggage offices, parking area, luggage carrying (porter), telephone, diaphone, public announcement, aviation information and monitor utilisation, medical examination, treatment, electricity and water revenues shall be determined based on the tariff applied in Istanbul Airport.
- (e) ISG is responsible for:
 - taking all measures to ensure that the operation continues without interruption during the operation period;
 - providing insurance coverage for the Construction and the ISGIA; and
 - regular and continuous repair of all systems and equipment it possesses, keeping them in working order, replacement of the assets subject to depreciation during the operation period, whose economic useful lives determined by the Turkish Tax Procedural Law have ended or which have become out of order.
- (f) According to the Implementation Agreement, ISG is responsible for ensuring the security of the ISGIA (including the New International Terminal and its Complementaries), maintenance, periodic maintenance and repairs, and transfer of the ISGIA to the Administration at the end of the operation period free from any obligation and liability and free of charge in operational condition.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS) as issued by the Malaysian Accounting Standards Board (MASB), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new MFRS which is mandatory for financial periods beginning on or after 1 January 2019 as described fully in Note 2.2.

The financial statements of the Group and of the Company have also been prepared on a historical basis, unless otherwise indicated in the summary of significant accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000), except when otherwise indicated.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies

On 1 January 2019, the Group and the Company adopted new and amended MFRSs which are mandatory for annual financial periods beginning on or after 1 January 2019.

The adoption of MFRSs did not have any effect on the financial performance or position of the Group and of the Company except as disclosed below:

MFRS 16 Leases

MFRS 16 has replaced MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payment that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The Group has adopted MFRS 16 effective from 1 January 2019, using modified retrospective approach. Applying this method, the comparative information for the 2018 fiscal year is not restated. Under modified retrospective approach, the lease liability is measured based on the remaining lease payments discounted using the incremental borrowing rate as at the date of initial application. For leases with terms not exceeding twelve months and for leases of low-value assets, the Group has exercised the optional application exemptions. The lease payments under these contracts are generally recognised on a straight-line basis over the lease term as other operating expenses.

In all other leases in which the Group acts as the lessee, the present value of future lease payments is recognised as a financial liability. Lease payments are split into principal and interest portions, using the effective interest method as disclosed in Note 33. Correspondingly, the right-of-use asset is recognised at the present value of the liability at the commencement date of the lease, adding any directly attributable costs as disclosed in Note 14. The weighted-average incremental borrowing rate for the lease liabilities, as follows:

Airport equipment	5.00% - 8.90%
Office equipment	5.00%
Motor vehicles	3.20%

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies (cont'd.)

MFRS 16 Leases (cont'd.)

Payments made before the commencement date and incentive received from the lessor are also included in the carrying amount of the right-of-use asset. The right-of-use asset is depreciated on a straight-line basis over the lease term or, if it is shorter, over the useful life of the leased asset.

The Group applied MFRS 16 for contracts that were previously identified as leases applying MFRS 117 and IC4.

The effects from the adoption of MFRS 16 on 1 January 2019 are, as follows:

	Note	Group RM'000	Company RM'000
Assets			
Right-of-use assets	14	159,046	835
Liabilities			
Lease liabilities	33	159,046	835

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group RM'000	Company RM'000
Assets		
Operating lease commitments as at 31 December 2018	113,812	11,258
Weighted average incremental borrowing rate as at 1 January 2019	4.00%	4.00%
Discounted operating lease commitments as at 1 January 2019	109,463	10,796
Less:		
Commitments relating to short-term leases	(3,191)	(233)
Commitments relating to leases of low-value assets	(14,549)	(9,728)
Add:		
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	67,323	-
Lease liabilities as at 1 January 2019	159,046	835

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to date of issuance of the Group's financial statements are disclosed below:

Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 3	Business Combinations (on Definition of a Business)
Amendments to MFRS 7	Financial Instruments: Disclosures (on Interest Rate Benchmark Reform)
Amendments to MFRS 9	Financial Instruments (on Interest Rate Benchmark Reform)
Amendments to MFRS 101	Presentation of Financial Statements (on Definition of Material)
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors (on Definition of Material)
The Conceptual Framework	Revised Conceptual Framework for Financial Reporting

Effective for financial periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts
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Effective date yet to be determined

Amendments to MFRS 10	Consolidated Financial Statements (On Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)
Amendments to MFRS 128	Investments in Associates and Joint Ventures (On Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)

The directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

A subsidiary is an entity over which the Group has all of the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries and basis of consolidation (cont'd.)

(ii) Basis of consolidation (cont'd.)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(b) Investments in associates and joint ventures

An associate is an entity, not being a subsidiary or joint venture, in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(b) Investments in associates and joint ventures (cont'd.)

The Group's investments in associates or joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment in associate or joint venture is measured in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate or joint venture. Goodwill relating to associate or joint venture included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Any excess of the Group's share of the net fair value of the associate or joint venture identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate or joint venture profit or loss for the period in which investment is acquired.

The statements of profit or loss reflect the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(c) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on usage based method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

(i) Concession rights

(a) Airport operation rights in Malaysia

As disclosed in Note 1.2, the Group signed Operating Agreements on 12 February 2009 for a period of 25 years ending 2034 (which was further extended for an additional 35 years ending 2069) and the consideration paid to the GoM is classified as concession rights.

The Group's amortisation policy in respect of the Operating Agreements is determined on the method reflecting the asset's usage based on passengers volume to reflect the usage of airport activities over the concession period. The current amortisation used shall reflect the pattern in which the concession's future economic benefits are expected to be consumed by the Group and is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits.

(b) Airport operations right in Turkey

As disclosed in Note 1.3, ISG via the Implementation Agreement signed with the Administration has given the rights to operate ISGIA for the period of 22 years commencing 1 May 2008. On 20 October 2017, ISG has signed an additional agreement with the Administration and gained an additional right to operate Facility for an extended period of 2.5 years, until 27 August 2032.

The right to charge users of an airport for services is recognised as an intangible asset. The airport operations right is initially recognised at cost, being the fair value of Utilisation Fee liability at the date of transfer of control of the ISGIA to ISG and the fair value of other consideration transferred to acquire the asset, which is the fair value of the consideration receivable for the construction services delivered. ISG estimates the fair value of the consideration receivable to be equal to the construction costs, plus 10% margin. Other costs (including travel and consultancy costs) incurred in regards to the project covered by the Implementation Agreement are regarded as part of the consideration paid by ISG, and therefore included in the cost of airport operations right. The airport has been operational since 31 October 2009.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(c) Intangible assets (cont'd.)

(i) Concession rights (cont'd.)

(b) Airport operations right in Turkey (cont'd.)

The airport operations right is amortised over the operation period, starting from the date the right is available for use. Accordingly, ISG started to amortise the first phase of the airport operations right, cost of which is measured as the fair value of Utilisation Fees payable, on 1 May 2008 (for extended period of 2 years on 15 October 2009), whereas the second phase, cost of which is measured as the fair value of the consideration receivable for the construction services delivered started to be amortised following the completion of the construction by November 2009. ISG's amortisation policy in respect of airport operations right is determined based on the method reflecting the asset's usage based on passengers volume to reflect the usage of airport activities over the operation period. Amortisation method and underlying assumptions are reviewed for validity at each period.

The concession rights also includes identifiable intangible asset of LGM long-term service contract with ISG to operate the food and beverage operations, CIP lounges and the hotel. The contract will expire at the end of 2019 and MAHB intends to extend this contract until the end of the operation period in 2030, which was further extended for an additional 2.5 years ending 2032.

(ii) Infrastructure and construction assets

Infrastructure and construction assets comprise of assets which are constructed by the Group in exchange for the right of the Group to charge users of the public service infrastructure that it has constructed or upgraded and are stated at the fair value of construction services delivered including certain mark-up on the actual costs incurred and are amortised over the respective economic useful lives. The capital work in progress relating to these assets is not amortised until the assets are fully completed and brought to use. Similar to concession rights, the infrastructure and construction assets are amortised based on passengers volume and usage of airport activities over the operation period.

The Group's amortisation policy in respect of infrastructure and construction assets are determined on the method reflecting the asset's usage based on passenger volume and usage of airport activities over the operation period. The current amortisation used shall reflect the pattern in which the concession's future economic benefits are expected to be consumed by the Group and is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(d) Fair value measurement

The Group measures financial instruments, such as, derivatives, unit trusts, at fair value at each reporting date. Fair values of financial instruments are disclosed in Note 20.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(d) Fair value measurement (cont'd.)

The Group's valuation committee determines the policies and procedures for both recurring fair value measurement, such as unquoted financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation. The valuation committee comprises of the heads of the Group's internal mergers and acquisition team, the head of the risk management department and chief financial officer.

At each reporting date, the valuation committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the valuation committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The valuation committee, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the valuation committee and the Group's external valuers present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(e) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Capital work-in-progress comprises the construction of buildings, renovation in-progress and other assets which have not been commissioned. Capital work-in-progress is not depreciated.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(e) Property, plant and equipment and depreciation (cont'd.)

Capital work-in-progress is capitalised in accordance with MFRS 116 Property, Plant and Equipment and is recognised as an asset when:

- (i) it is probable that future economic benefits associated with the asset will flow to the enterprise;
- (ii) the cost of the asset to the enterprise can be measured reliably; and
- (iii) ready for its intended use.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Freehold land	Not depreciated
Leasehold land	Over lease period
Buildings and building renovation	2% - 20%
Hotel property	2%
Infrastructure, safety equipment and motor vehicles	4% - 50%
Office, communication and electronic equipment	10% - 50%
Furniture and fittings	10% - 20%
Plant and machinery	10% - 20%
Crockery, glassware, cutlery and linen	20%
Capital improvements	13%
Plantation development expenditure	4%

All property, plant and equipment located on Government leasehold land are depreciated over the estimated useful life or the remaining concession period whichever is earlier.

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(f) Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(g) Inventories

Inventories relating to merchandise goods and food and beverages are stated at the lower of cost (determined on a weighted average basis) and net realisable value. Cost of inventories comprises cost of purchase of goods. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution. Other inventories that are not for resale and for consumption purpose are classified as spares and consumables.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(h) Biological assets

Biological assets comprise of produce growing on bearer plants. Biological assets are classified as current assets and measured at fair value for bearer plants that are expected to be harvested and sold or used for production on a date not more than 1 month after the reporting date.

Biological assets are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell are recognised in profit or loss.

(i) Planting development expenditure

New planting expenditure incurred on land clearing and upkeep of trees is capitalised under plantations.

Amortisation of plantation development expenditure is at a rate of 4% per annum.

(j) Replanting expenditure

Replanting expenditure incurred during the year is recognised in the income statement. Replanting expenditure represents the total cost incurred from land clearing to the point of harvesting.

(k) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(k) Financial assets (cont'd.)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

(i) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables, employee loans and cash and cash equivalents.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes quoted unit trust and bonds in Malaysia.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(k) Financial assets (cont'd.)

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(l) Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. The ECLs is based on lifetime expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(l) Impairment of financial assets (cont'd.)

The Group considers a financial asset in default when contractual payment are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

(m) Derivative financial instruments and hedging activities

Derivative financial instruments are recognised and measured at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value with changes in fair value recognised in the statement of profit or loss at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedge) or hedges of a particular risk associated with a recognised asset or liability (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the statement of profit or loss within 'finance cost'. The gain or loss relating to the ineffective portion is recognised in the statement of profit or loss within 'other gains or losses - net'. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the statement of profit or loss within 'finance cost'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the statement of profit or loss over the period to maturity.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(m) Derivative financial instruments and hedging activities (cont'd.)

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statements of profit or loss within 'other gains or losses - net'.

Amounts accumulated in equity are reclassified to the statements of profit or loss in the periods when the hedged item affects the statements of profit or loss. The gain or loss relating to the effective portion of cross currency interest rate swaps hedging fixed rate borrowings is recognised in the statements of profit or loss within 'finance cost'.

When a hedging instrument matures, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the statements of profit or loss.

(n) Cash and cash equivalents

Cash and short-term deposits in the statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the statements of cash flows, cash and cash equivalents include cash on hand and at banks and deposits.

(o) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value-assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(o) Leases (cont'd.)

(i) As lessee (cont'd.)

Right-of-use assets

The Group recognises right-of-use at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentive received. Right-of-use assets are depreciated on a straight-line basis over the lease term of the assets, as follows:

Airport equipment	3-5 years
Office equipment	3 years
Motor vehicles	3-5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.4(f).

The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and these contracts do not require the Group to maintain certain financial ratios.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease also includes exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date or the interest rate implicit if it is determined in the contract. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(o) Leases (cont'd.)

(i) As lessee (cont'd.)

Lease liabilities (cont'd.)

The Group's lease liabilities are included in Note 33.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases have a lease term of 12 months or less). The Group also applies the leases of low-value assets recognition exemption to leases of airports and office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(ii) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an assets are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

(p) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

(q) Contract assets and contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customer. In the case of construction contracts, contract liability is the excess of the billings to-date over the cumulative revenue earned. Contract liabilities include downpayments received from customers and other deferred income where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customers.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(r) Income tax and zakat

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(r) Income tax and zakat (cont'd.)

(ii) Deferred tax (cont'd.)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Zakat

Zakat payable by the Group and the Company is a form of contribution according to the principles of Shariah.

(s) Provisions for liabilities

Provisions for liabilities are recognised when the Group and the Company have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(t) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(t) Financial liabilities (cont'd.)

Financial liabilities, within the scope of MFRS 9, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and borrowings.

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

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(u) Concession liabilities

Concession liabilities are in respect of concession contracts and are recognised for the following arrangements:

- (i) Annual charges and land usage charges payable to GoM; and
- (ii) Privatisation of the Development of a Generation Plant at klia2.

(v) Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(v) Employee benefits (cont'd.)

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (EPF). For companies in Turkey, the contributions are made to a publicly administered Social Security Fund.

(iii) Defined benefit plans

In accordance with the existing social legislation in Turkey, ISG and LGM are required to make lump-sum termination indemnities to each employee who has completed one year of service and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

Provision for unemployment termination benefits is provided as requirement of Turkish Labour Law to each employee who has completed one year of service and retires, whose employment is terminated without due cause, who is called up for military service, or who dies; and represents the present value of the estimated total reserve of the future probable obligation of the Group.

Malaysia Airports Consultancy Services Middle East L.L.C. (MACS ME) provides end of service benefits to its expatriate employees in accordance with Qatar Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of minimum service period. The expected costs of these benefits are accrued over the period of employment.

(w) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated at exchange rates ruling at the statement of financial position date. All exchange differences are recognised in the statement of profit or loss within the category of foreign exchange gain or loss.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(w) Foreign currencies (cont'd.)

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each statements of financial position presented are translated at the closing rate prevailing at the reporting date;
- Income and expenses for each profit or loss are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

The principal exchange rates used for every unit of foreign currency ruling at the reporting date are as follows:

	2019 RM	2018 RM
United States Dollar (USD)	4.09	4.14
Great Britain Pound (GBP)	5.38	5.27
Singapore Dollar (SGD)	3.04	3.04
Euro (EUR)	4.59	4.73
Switzerland Swiss Franc (CHF)	4.23	4.20
China Renminbi (RMB)	0.60	0.61
Hong Kong Dollar (HKD)	0.53	0.53
Qatar Riyal (QAR)	1.12	1.14
Australian Dollar (AUD)	2.87	2.92
Turkish Lira (TRY)	0.73	0.80
Indian Rupee (INR)	0.06	0.06
Canadian Dollar (CAD)	3.14	3.04
United Arab Emirates Dirham (AED)	1.11	0.14

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(x) User Fee

User Fee is payable to the GoM and equal to a specified percentage of all revenue the Group derived from activities at KLIA and other airports in Malaysia that involves the use of airport infrastructure, assets provided by or financed by the GoM or land belonging to the GoM. The User Fee increases over time by 0.25% per annum and is payable on quarterly basis and increases further depending on the capital expenditure borne by the GoM based on the criteria set out in the Operating Agreements. The revenue base used in calculating the User Fee does not include any construction revenue, reimbursements, interest income, recovery of bad debt or inter-company transactions.

(y) Utilisation Fee

The Utilisation Fee liability represents the present value of amounts payable to the Administration in accordance with the Implementation Agreement for the operation of the ISGIA for 20 years plus 22 months of extension period. In the previous years, ISG has obtained a second extension of the Implementation Agreement for another 2.5 years to year 2032. The Utilisation Fee liability is discounted to present value, at a rate of 10.3%.

(z) Revenue recognition

Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

(i) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(ii) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(iii) Revenue from services

Revenue from airport operations and horticulture services rendered are recognised net of goods and service taxes and discounts as and when the services are performed.

Revenue from contracts are recognised by reference to the stage of completion at the reporting date. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(z) Revenue recognition (cont'd.)

(iv) Marginal Cost Support Sum (MARCS)

Under the Operating Agreements, the GoM shall assist the Group in bearing its socio-economic obligations by compensating the Group with a MARCS for marginal losses suffered, arising from the undertaking of socio-economic activities and GoM policies.

The MARCS support is recognised in the financial statements throughout the concession year as revenue when recovery is probable and the amount that is recoverable can be measured reliably. Further details are disclosed in Notes 1.2 and 3.

As stipulated in the Operating Agreement, the Benchmark Passenger Service Charge (PSC) rate is revised every 5 years based on the agreed calculation. The 3rd Tariff Cycle revision became effective on 12 February 2019. MARCS PSC of RM74,208,000 (2018: RM5,204,000) was recognised during the year for the difference between actual PSC and Benchmark PSC rate.

Apart from this, included in MARCS is MARCS Express Rail Link (MARCS ERL) as disclosed in Note 3.

(v) Revenue from hotel operations

Revenue from rental of hotel rooms, sale of food and beverages and other related income are recognised when the services are performed.

(vi) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(vii) Construction revenue

Under such concession agreements, the Group is engaged to build, operate and construct airport buildings and related infrastructure. The Group recognises construction revenue over time as the project being constructed has no alternative uses to the Group and it has an enforceable right to the payment for performance completed to date. The stage of completion is measured using the input method, which is based on the total actual construction cost incurred to date as compared to the total budgeted costs for the respective construction projects. Where the outcome of the Construction cannot be estimated reliably, revenue is recognised to the extent of Construction costs incurred if it is probable that they will be recoverable. Construction costs are recognised as expenses in the year in which they are incurred.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(aa) Disposal groups classified as held for sale and discontinued operations

A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

(ab) Concession contracts

A substantial portion of the Group's assets are used within the framework of concession contracts/Operating Agreements granted by the GoM (the grantor). The characteristics of the Operating Agreements generally provide, directly or indirectly, for customer involvement in the determination of the service and its remuneration, and the return of the assets necessary to the performance of the service at the end of the contract.

In order to fall within the scope of concession contract, a contract must satisfy the following two criteria:

- The grantor controls or regulates what services the operator must provide with the infrastructure/assets, to whom it must provide them, and at what price; and
- The grantor controls the significant residual interest in the infrastructure/assets at the end of the term of the arrangement.

Such assets are not recognised by the Group as property, plant and equipment but as intangible assets as described in Note 2.4(c)(i) and (ii). The intangible asset model applies where the operator is paid by the users or where the concession grantor has not provided a contractual guarantee in respect of the amount recoverable. The intangible asset corresponds to the right granted by the concession grantor to the operator to charge users of the public service.

Intangible assets resulting from the application of this policy are recorded in the statement of financial position under the heading 'Intangible assets' and are amortised on the method reflecting the asset's usage based on passengers volume to reflect the usage of airports activities over the concession period. Under the intangible asset model, revenue includes revenue from the construction of the infrastructure/assets and operating revenue of the infrastructure.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(ac) IC Interpretation 12 - Service Concession Arrangements

IC Interpretation 12 - Service Concession Arrangements (IC 12) adopted by the Group applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. Depending on the contractual terms, this interpretation requires the operator to recognise a financial asset if it has an unconditional contractual right to receive cash or an intangible asset if it receives a right (license) to charge users of the public service. Some contractual terms may give rise to both a financial asset and an intangible asset.

The IC 12 considered the nature of the rights conveyed to the operator in a service concession arrangement. It first examined whether the infrastructure used to provide public services could be classified as property, plant and equipment of the operator under MFRS 116. It started from the principle that infrastructure used to provide public services should be recognised as property, plant and equipment of the party that controls its use. This principle determines which party should recognise the property, plant and equipment as its own.

The interpretation also concluded that treatment of infrastructure that the operator constructs or acquires or to which the grantor gives the operator access for the purpose of the service arrangement should be determined by whether the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and the grantor control through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

Under IC 12, the operator may provide construction services to the grantor in exchange for an intangible asset, i.e. a right to collect revenue in accordance with the Operating Agreements. In accordance with MFRS 138 Intangible Assets, the operator recognises the intangible asset at its fair value. The fair value of the intangible asset is calculated by including a certain mark-up on the actual cost incurred, estimated to reflect a margin consistent where possible with other similar construction works.

In addition, pursuant to the Airport Facilities Arrangement (AFA) where the agreement is dependent on a specified asset, the Group recognised an asset and a liability at an amount equal to the value of the underlying asset as determined in the AFA and subsequently the liability shall be reduced as payments are made and an imputed finance charge on the liability recognised using the purchaser's incremental borrowing rate of interest.

(ad) Equity instruments and related expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares and Perpetual Sukuk are classified as equity instruments.

Dividends on ordinary shares and distribution on Perpetual Sukuk are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting judgements and estimates

The preparation of the Group's financial statements require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of income, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Although these estimates and judgements are based on management's best knowledge of current events and actions, actual results may differ. The most significant uses of judgements and estimates are as follows:

(i) Amortisation of concession rights and infrastructure and construction assets

The carrying amount of the concession rights and infrastructure and construction assets are amortised over the concession period determined by the method where the amortisation method used shall reflect the pattern which the concession's future economic benefits are expected to be consumed by the Group based on the expected number of passengers and the utilisation of the airports over the concession period.

The variable factors in determining the estimated amortisation includes projected total number of passengers for subsequent years to the end of concession period. The assumptions to arrive at the passenger volume projections and usage of airports also take into consideration the growth rate based on current market and economic conditions. Changes in the expected passenger volume and usage of airports could impact future amortisation charges.

(ii) Revenue recognition

Significant judgement is applied to determine the accrued revenue for aeronautical debtors based on the number of airlines, landing, parking, aerobridge, counter check-in and timing of billings.

As at reporting date, the amount of accrued revenue for aeronautical debtors as disclosed in Note 21 comprised approximately 2% (2018: 3%) of the total revenue.

(iii) Land use rights

The Group has assessed that the previous amount paid was in relation to the rights to occupy the land leased by the Federal Land Commissioner, and accordingly the prepaid land lease payments was classified as land use rights.

(iv) Contingent liabilities - litigation

As disclosed in the notes to the financial statements, the Group has several pending litigations with various parties as at current financial year end. The Group, after due consultation with the Group's solicitors, assesses the merit of each case, and makes the necessary provision for liabilities in the financial statements if their crystallisation are deemed as probable.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting judgements and estimates (cont'd.)

(v) Impairment of intangible assets

The Group tests periodically whether the intangible assets is required to be impaired, by measuring the recoverable amount of the CGU based on the value in use method, which requires the use of estimates of future cash flow projections, terminal growth rates and discount rates. Changes to the assumptions used by management, particularly the discount rate and the terminal value, may affect the results of the impairment assessment.

(vi) Expected credit losses (ECL)

The Group applies a simplified approach in calculating ECL. The ECL is based on lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(vii) Valuation of unquoted investments designated as FVTPL

As the fair value of the investments designated as FVTPL cannot be derived from active market, fair value is determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as discount for lack of marketability. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(viii) Income taxes

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ix) Deferred taxation

Deferred tax assets are recognised for all unutilised tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in Note 23.

Notes to the Financial Statements (cont'd.)

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting judgements and estimates (cont'd.)

(x) Impairment of investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures (investments) are for a long-term basis and the Group and the Company determine whether the carrying amounts of its investments are impaired at least on an annual basis at reporting date. This requires an estimation of the value in use of the CGU which is attributable to those investments. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(xi) Concession liabilities

As disclosed in Notes 2.4(u) and (ac), the Group recognised an asset and a liability at an amount equal to the fair value of the underlying asset as determined in the agreement and subsequently the liability shall be reduced when payments are made.

The imputed finance charges estimated are as follows:

(i) Annual charges and land usage charges payable to GoM

6.0% per annum over the period of 60 years ending 2069. Had the estimation of the finance charge increase or decrease by 10% of the discount rate used, the net interest charged would be higher by approximately RM72,000 or lower by RM100,000 respectively.

(ii) Privatisation of the Development of a Generation Plant at klia2

5.5% per annum over the period of 20 years ending 2033. Had the estimation of the finance charge increase or decrease by 10% of the discount rate used, the net interest charged would be higher by approximately RM1,912,000 or lower by RM1,876,000 respectively.

(xii) Financial liability relating to the Utilisation Fee recognised in ISG

The Utilisation Fee liability represents the present value of amounts payable to the Administration in accordance with the Implementation Agreement for the operation of the ISGIA for 20 years plus 22 months of extension period, being the first extension period. In the previous years, ISG has obtained second extension period of 2.5 years after the first extension period ended. The Utilisation Fee liability is discounted to present value, at a rate of 10.3%.

(xiii) Biological assets

The fair value of biological assets are computed based on the estimated quantity of fresh fruit bunches (FFBs) forecasted and the observable current market price of FFBs at each point of fair value.

Notes to the Financial Statements (cont'd.)

31 December 2019

3. REVENUE

Revenue comprise of the following:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers (i)	5,213,107	4,851,702	-	-
Revenue from other source:				
- dividend income from:				
- subsidiaries	-	-	283,845	345,000
- joint ventures	-	-	12,032	12,510
	5,213,107	4,851,702	295,877	357,510

(i) Breakdown of the Group's revenue from contracts with customers as follows:

	For the year ended 31 December 2019		
	Malaysia	Overseas	Total
	RM'000	RM'000	RM'000
Airport operations:			
- Airport services:			
- Aeronautical	2,038,345	771,165	2,809,510
Less: Airline incentives	(44,859)	-	(44,859)
	1,993,486	771,165	2,764,651
- Non-aeronautical	800,574	510,730	1,311,304
- Duty free and non-dutiable goods	850,224	-	850,224
Non-airport operations:			
- Agriculture and horticulture	26,932	-	26,932
- Hotel operations	88,577	9,675	98,252
- Project and repair maintenance	15,158	146,586	161,744
Total revenue from contracts with customers	3,774,951	1,438,156	5,213,107
Timing of revenue recognition			
- at a point in time	3,759,793	1,291,570	5,051,363
- over time	15,158	146,586	161,744
Total revenue from contracts with customers	3,774,951	1,438,156	5,213,107

Notes to the Financial Statements (cont'd.)

31 December 2019

3. REVENUE (CONT'D.)

(i) Breakdown of the Group's revenue from contracts with customers as follows: (cont'd.)

	For the year ended 31 December 2018		
	Malaysia RM'000	Overseas RM'000	Total RM'000
Airport operations:			
- Airport services:			
- Aeronautical	1,859,853	607,297	2,467,150
Less: Airline incentives	(62,809)	-	(62,809)
	1,797,044	607,297	2,404,341
- Non-aeronautical	786,723	472,474	1,259,197
- Construction revenue*	-	65,557	65,557
- Duty free and non-dutiable goods	831,299	-	831,299
Non-airport operations:			
- Agriculture and horticulture	30,085	-	30,085
- Hotel operations	90,210	8,772	98,982
- Project and repair maintenance	13,109	149,132	162,241
Total revenue from contracts with customers	3,548,470	1,303,232	4,851,702
Timing of revenue recognition			
- at a point in time	3,535,361	1,154,100	4,689,461
- over time	13,109	149,132	162,241
Total revenue from contracts with customers	3,548,470	1,303,232	4,851,702

Included in aeronautical revenue is income from MARCS of RM169,924,000 (2018: RM119,299,000).

* Construction revenue relates to revenue recognised in respect of the development in ISGIA.

Notes to the Financial Statements (cont'd.)

31 December 2019

4. OTHER INCOME

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest income:				
- unquoted investments	2,034	1,780	1,311	1,132
- employee loans	1,242	1,280	-	-
- other loans and receivables	29,372	46,995	947	1,812
Unrealised gain/(loss) on fair value for:				
- quoted unit trust	5,009	1,222	2,452	-
- unquoted shares	(3,802)	275,641	-	-
Investment income:				
Fair value through profit or loss:				
- quoted in Malaysia	58,762	33,917	11,825	6,793
- unquoted outside Malaysia	-	9,799	-	-
Unquoted short-term investments	10,969	10,422	2,645	2,224
Rental income:				
- minimum lease payments	9,657	10,582	-	-
Gain on disposal of:				
- quoted unit trust	1,005	-	834	-
- unquoted shares (Note 17)	-	28,178	-	-
Net realised foreign exchange gain/(loss)	7,500	(14,929)	(658)	824
Management fee charged to subsidiaries	-	-	217,127	187,769
Recoupment of expenses	107,981	109,287	198,100	205,149
Miscellaneous	35,810	32,871	4,226	13,020
	265,539	547,045	438,809	418,723

Notes to the Financial Statements (cont'd.)

31 December 2019

5. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	554,899	509,580	111,529	99,068
Bonus	110,031	83,667	34,977	11,775
Contributions to defined contribution plans	94,794	89,821	24,306	18,707
Social security contributions	6,660	6,525	968	923
Net writeback of provision for short-term accumulating compensated absences (Note 34)	(3,574)	(1,741)	(1,050)	(897)
Other employee benefits	157,150	148,233	32,337	29,260
	919,960	836,085	203,067	158,836

Included in employee benefits expense of the Group and of the Company are executive director's remuneration amounting to RMNil (2018: RM1,592,000) and RMNil (2018: RM1,592,000), respectively as further disclosed in Note 8.

6. FINANCE COSTS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
- concession payables and borrowings	218,978	233,023	140,600	147,649
- financial liabilities	495,772	499,722	-	-
- lease liabilities (Note 33)	9,765	-	29	-
Loss from derivative financial instruments (Note 32)	1,486	12,846	-	-
	726,001	745,591	140,629	147,649

Notes to the Financial Statements (cont'd.)

31 December 2019

7. PROFIT BEFORE TAX AND ZAKAT

The following items have been included in arriving at profit before tax and zakat:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Non-executive directors' remuneration excluding benefits-in-kind (Note 8)	3,566	3,047	2,659	2,346
Auditors' remuneration:				
- statutory				
- auditors of the Company (Malaysia operations)	894	914	280	344
- auditors of the Company (Overseas operations)	456	466	-	-
- other auditors (other than Ernst & Young PLT)	19	12	19	12
- other services				
- auditors of the Company	382	1,294	30	1,072
User Fee expenses	461,533	417,619	-	-
Rental expenses	59,706	83,499	5,482	4,927
(Gain)/loss on fair value of biological assets	(724)	891	-	-
Depreciation of:				
- property, plant and equipment (Note 12)	60,601	59,130	17,218	15,883
- right-of-use assets (Note 14)	35,798	-	558	-
Amortisation of:				
- land use rights (Note 13)	109	108	-	-
- intangible assets (Note 15)	845,070	828,241	-	-
Property, plant and equipment written off (Note 12)	-	1,072	-	827
Intangible assets written off (Note 15)	13	8,797	-	-
Gain on disposal of property, plant and equipment (Note 12)	-	(8)	-	-
Net (writeback)/allowance of impairment on receivables (Note 21)	(18,968)	18,035	(34)	(5,200)
Inventories written off	1,590	3,410	-	-
Bad debts written off	5,745	9,128	-	5,502
Utility charges	437,787	387,593	2,842	2,696
Repair and maintenance costs	375,439	363,594	15,037	10,722
Legal and other professional fees	28,256	41,007	8,143	16,411

Notes to the Financial Statements (cont'd.)

31 December 2019

7. PROFIT BEFORE TAX AND ZAKAT (CONT'D.)

User Fee expenses amounting to RM461,533,000 (2018: RM417,619,000) relate to payments made to the GoM for operating rights. User Fee rates range from 11.98% to 12.20% (2018: 11.65% to 11.89%) and are calculated on gross revenues of the Group from activities carried out at KLIA and other Designated Airports excluding reimbursements, interest income, recovery of bad debts or inter-company transactions.

8. DIRECTORS' REMUNERATION

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Executive director's remuneration (Note 5):				
- Other emoluments	-	1,592	-	1,592
Non-executive directors' remuneration (Note 7):				
- Fees	2,199	1,667	1,461	1,111
- Other emoluments	1,367	1,380	1,198	1,235
	3,566	3,047	2,659	2,346
Total directors' remuneration	3,566	4,639	2,659	3,938
Estimated money value of benefits-in-kind	163	244	163	244
Total directors' remuneration including benefits-in-kind	3,729	4,883	2,822	4,182

Notes to the Financial Statements (cont'd.)

31 December 2019

8. DIRECTORS' REMUNERATION (CONT'D.)

The details of remuneration receivable by directors of the Group and of the Company during the year are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Executive:				
- Salaries and other emoluments	-	994	-	994
- Bonus	-	423	-	423
- Defined contribution plans	-	175	-	175
- Estimated money value of benefits-in-kind	10	87	10	87
	10	1,679	10	1,679
Non-executive:				
- Fees	2,199	1,667	1,461	1,111
- Other emoluments	1,367	1,380	1,198	1,235
- Estimated money value of benefits-in-kind	153	157	153	157
	3,729	4,883	2,822	4,182

Included in the Group non-executive directors' fees and other emoluments were the subsidiaries directors' fees and other emoluments of RM738,000 (2018: RM556,000) and RM169,000 (2018: RM145,000) respectively.

The number of directors of the Company whose total remuneration during the financial year fell within the following bands are analysed below:

	Number of directors	
	2019	2018
Executive director:		
RM1,650,001 – RM1,700,000	-	1
Non-executive directors:		
Less than RM50,000	2	4
RM50,001 – RM100,000	1	1
RM100,001 – RM150,000	1	-
RM150,001 – RM200,000	1	1
RM200,001 – RM250,000	2	4
RM250,001 – RM300,000	5	3
RM300,001 – RM350,000	1	-
RM350,001 – RM400,000	1	1

Notes to the Financial Statements (cont'd.)

31 December 2019

9. TAXATION AND ZAKAT

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	101,833	83,160	-	-
- Foreign tax	10,355	8,056	-	-
- Over provision of income tax in prior years	(10,613)	(107,232)	-	(407)
	101,575	(16,016)	-	(407)
Deferred tax (Note 23):				
- Relating to origination and reversal of temporary differences	35,362	(140,756)	-	352
- (Over)/under provision of deferred tax in prior years	(20,953)	204,453	-	-
	14,409	63,697	-	352
	115,984	47,681	-	(55)
Income tax expense/(credit)	115,984	47,681	-	(55)
Zakat	6,125	5,608	50	-
Total income tax expense/(credit) and zakat	122,109	53,289	50	(55)

Notes to the Financial Statements (cont'd.)

31 December 2019

9. TAXATION AND ZAKAT (CONT'D.)

Reconciliation between tax expense and accounting profit

The reconciliations between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 are as follows:

	2019	2018
	RM'000	RM'000
Group		
Profit before tax and zakat	659,151	780,592
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	158,196	187,342
Different tax rates in other countries	(3,727)	(2,350)
Tax effects of share of results of associates and joint ventures	(8,332)	(7,228)
Income not subject to tax	(9,355)	(93,374)
Expenses not deductible for tax purposes	38,656	37,808
Deferred tax asset recognised on investment tax allowances	(3,201)	(130,357)
Deferred tax assets not recognised in respect of current year's tax losses, unabsorbed capital allowances and other deductible temporary differences	-	2,148
Utilisation of previously unrecognised tax losses, unabsorbed capital allowances and investment tax allowances	(24,687)	(43,529)
Over provision of income tax in prior years	(10,613)	(107,232)
(Over)/under provision of deferred tax in prior years	(20,953)	204,453
Income tax expense for the year	115,984	47,681

Notes to the Financial Statements (cont'd.)

31 December 2019

9. TAXATION AND ZAKAT (CONT'D.)

Reconciliation between tax credit and accounting profit (cont'd.)

	2019	2018
	RM'000	RM'000
Company		
Profit before tax and zakat	300,856	381,628
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	72,205	91,591
Income not subject to tax	(82,912)	(104,161)
Expenses not deductible for tax purposes	12,745	12,794
Utilisation of previously unrecognised unabsorbed capital allowances	(2,038)	(2,003)
Deferred tax assets not recognised in respect of current year's unabsorbed capital allowances	-	2,131
Under provision of income tax in prior years	-	(407)
Income tax credit for the year	-	(55)

Current income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Deferred tax assets of the Group and of the Company have not been recognised in respect of the following items:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	27,931	146,762	25,751	34,243
Unabsorbed capital allowances	50,010	50,003	49,901	49,901
Investment allowance	1,027,000	1,027,000	-	-
	1,104,941	1,223,765	75,652	84,144

Deferred tax assets have not been recognised where it is not probable that future taxable profits will be available against which the Company or subsidiaries can utilise the benefits.

Notes to the Financial Statements (cont'd.)

31 December 2019

10. EARNINGS PER SHARE**(a) Basic**

Basic earnings per share amounts are calculated by dividing profit for the year attributable to Owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2019	2018
	RM'000	RM'000
Profit attributable to Owners of the Company	537,042	727,303
Distribution to Perpetual Sukuk holders	(57,500)	(57,500)
Net profit attributable to Owners of the Company	479,542	669,803

	Group	
	2019	2018
Weighted average number of ordinary shares in issue ('000)	1,659,192	1,659,192

	Group	
	2019	2018
	sen	sen
Basic earnings per share for:		
- Basic, for profit for the year	28.90	40.37

(b) Diluted

Weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.

There was no issuance of shares or outstanding shares between the current financial year end and the date of the report.

Notes to the Financial Statements (cont'd.)

31 December 2019

11. DIVIDENDS

	Dividends in respect of year		Dividends recognised in year	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Recognised during the year:				
Interim dividend for 2019: on 1,659,191,828 ordinary shares - single-tier 5 sen, per ordinary share	82,960	-	82,960	-
Final dividend for 2018: on 1,659,191,828 ordinary shares - single-tier 9 sen, per ordinary share	-	149,327	149,327	-
Interim dividend for 2018: on 1,659,191,828 ordinary shares - single-tier 5 sen, per ordinary share	-	82,960	-	82,960
Final dividend for 2017: on 1,659,191,828 ordinary shares - single-tier 8 sen, per ordinary share	-	-	-	132,735
Proposed for approval at forthcoming Annual General Meeting (not recognised as at 31 December 2019):				
Final dividend for 2019: on 1,659,191,828 ordinary shares - single-tier 10 sen, per ordinary share	165,919	-	-	-
	248,879	232,287	232,287	215,695

Dividend paid during current financial year

A single-tier final dividend of 9 sen per ordinary share in respect of the financial year ended 31 December 2018 was approved by the Shareholders at its Annual General Meeting held on 2 May 2019. The final dividend amounting to RM149,327,265 was paid on 31 May 2019.

A single-tier interim dividend of 5 sen per ordinary share in respect of the financial year ended 31 December 2019 was declared on 30 August 2019. The interim dividend amounting to RM82,959,591 was paid in full on 1 October 2019.

Proposed Final Dividend

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2019, of 10 sen on 1,659,191,828 ordinary shares on single-tier basis, with a total quantum of RM165,919,183 will be proposed for shareholders' approval.

The financial statements for the current financial year do not reflect these dividends. Such dividends will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

Notes to the Financial Statements (cont'd.)

31 December 2019

12. PROPERTY, PLANT AND EQUIPMENT

	Property and buildings RM'000	Hotel property RM'000	Safety equipment and motor vehicles RM'000	Office, communication and electronic equipment, furniture and fittings RM'000	Plant and machinery, crockery, glassware, cutlery and linen RM'000	Plantation development expenditure RM'000	Capital work-in- progress RM'000	Total RM'000
Group								
At 31 December 2019								
Cost								
At 1 January 2019	213,578	121,620	30,504	465,122	28,619	105,881	54,062	1,019,386
Additions	1,433	-	337	21,312	1,564	1,116	38,286	64,048
Written off	-	-	-	(4,122)	(384)	-	-	(4,506)
Transfers	13,497	1,935	-	30,344	1,189	(3,953)	(8,681)	34,331
Foreign currency translation	(11)	-	(29)	(2,955)	-	-	-	(2,995)
At 31 December 2019	228,497	123,555	30,812	509,701	30,988	103,044	83,667	1,110,264
Accumulated depreciation and impairment								
At 1 January 2019	59,805	69,187	18,198	383,063	24,476	42,918	2,890	600,537
Charge for the year (Note 7)	7,924	3,950	627	41,893	2,226	3,981	-	60,601
Written off	-	-	-	(4,122)	(384)	-	-	(4,506)
Foreign currency translation	(7)	-	(27)	(1,382)	-	-	-	(1,416)
At 31 December 2019	67,722	73,137	18,798	419,452	26,318	46,899	2,890	655,216
Analysed as:								
Accumulated depreciation	66,531	73,137	9,288	397,546	26,318	46,899	-	619,719
Accumulated impairment loss	1,191	-	9,510	21,906	-	-	2,890	35,497
	67,722	73,137	18,798	419,452	26,318	46,899	2,890	655,216
Net carrying amount	160,775	50,418	12,014	90,249	4,670	56,145	80,777	455,048

Notes to the Financial Statements (cont'd.)

31 December 2019

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Property and buildings	Hotel property	Safety equipment and motor vehicles	Office, communication and electronic equipment, furniture and fittings	Plant and machinery, crockery, glassware, cutlery and linen	Plantation development expenditure	Capital work-in- progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
At 31 December 2018								
Cost								
At 1 January 2018	195,061	120,724	30,132	455,794	29,053	106,592	43,427	980,783
Additions	10,404	46	386	10,077	15	3,597	30,066	54,591
Disposals	-	-	(21)	(962)	-	-	-	(983)
Written off	(1,406)	-	-	(18,926)	(853)	(473)	(21)	(21,679)
Transfers	1,289	850	-	20,048	678	(3,835)	(19,030)	-
Reclassified from/(to) intangible assets	8,319	-	-	-	-	-	(380)	7,939
Foreign currency translation	(89)	-	7	(909)	(274)	-	-	(1,265)
At 31 December 2018	213,578	121,620	30,504	465,122	28,619	105,881	54,062	1,019,386
Accumulated depreciation and impairment								
At 1 January 2018	54,014	64,898	17,717	362,348	22,477	39,356	2,890	563,700
Charge for the year (Note 7)	6,455	4,289	494	41,039	3,047	3,806	-	59,130
Disposals	-	-	(21)	(959)	-	-	-	(980)
Written off	(620)	-	-	(18,892)	(851)	(244)	-	(20,607)
Foreign currency translation	(44)	-	8	(473)	(197)	-	-	(706)
At 31 December 2018	59,805	69,187	18,198	383,063	24,476	42,918	2,890	600,537
Analysed as:								
Accumulated depreciation	58,614	69,187	8,688	361,157	24,476	42,918	-	565,040
Accumulated impairment loss	1,191	-	9,510	21,906	-	-	2,890	35,497
	59,805	69,187	18,198	383,063	24,476	42,918	2,890	600,537
Net carrying amount	153,773	52,433	12,306	82,059	4,143	62,963	51,172	418,849

Notes to the Financial Statements (cont'd.)

31 December 2019

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Building RM'000	Motor vehicles RM'000	Office equipment RM'000	Capital work- in-progress RM'000	Total RM'000
Company					
At 31 December 2019					
Cost					
At 1 January 2019	31,420	2,800	133,328	39,094	206,642
Additions	-	316	648	30,214	31,178
Written off	-	-	(8)	-	(8)
Transfers	196	-	21,374	(21,570)	-
At 31 December 2019	31,616	3,116	155,342	47,738	237,812
Accumulated depreciation and impairment					
At 1 January 2019	11,364	1,878	112,285	394	125,921
Charge for the year (Note 7)	869	278	16,071	-	17,218
Written off	-	-	(8)	-	(8)
At 31 December 2019	12,233	2,156	128,348	394	143,131
Net carrying amount	19,383	960	26,994	47,344	94,681
At 31 December 2018					
Cost					
At 1 January 2018	32,826	2,747	118,589	28,180	182,342
Additions	-	53	553	25,358	25,964
Written off	(1,406)	-	(244)	(14)	(1,664)
Transfers	-	-	14,430	(14,430)	-
At 31 December 2018	31,420	2,800	133,328	39,094	206,642
Accumulated depreciation and impairment					
At 1 January 2018	11,039	1,680	97,762	394	110,875
Charge for the year (Note 7)	945	198	14,740	-	15,883
Written off	(620)	-	(217)	-	(837)
At 31 December 2018	11,364	1,878	112,285	394	125,921
Net carrying amount	20,056	922	21,043	38,700	80,721

Included in the cost of property, plant and equipment of the Group and of the Company are cost of fully depreciated assets which are still in use amounting to RM311,860,000 (2018: RM256,136,000) and RM87,602,000 (2018: RM79,497,000), respectively.

Notes to the Financial Statements (cont'd.)

31 December 2019

13. LAND USE RIGHTS

	Group	
	2019	2018
	RM'000	RM'000
Net carrying amount		
At 1 January	6,926	7,034
Amortisation during the year (Note 7)	(109)	(108)
At 31 December	6,817	6,926
Analysed as:		
Short-term land use rights	1,396	1,433
Long-term land use rights	5,421	5,493
	6,817	6,926

14. RIGHT-OF-USE ASSETS

	Airport equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group				
At 31 December 2019				
Cost				
At 1 January 2019 (effects from adoption of MFRS 16) (Note 2.2)	142,971	365	15,710	159,046
Additions	-	-	7,112	7,112
At 31 December 2019	142,971	365	22,822	166,158
Accumulated depreciation				
At 1 January 2019	-	-	-	-
Depreciation during the year (Note 7)	26,170	85	9,543	35,798
Foreign currency translation	(65)	-	-	(65)
At 31 December 2019	26,105	85	9,543	35,733
Net carrying amount	116,866	280	13,279	130,425

Notes to the Financial Statements (cont'd.)

31 December 2019

14. RIGHT-OF-USE ASSETS (CONT'D.)

	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Company			
At 31 December 2019			
Cost			
At 1 January 2019 (effects from adoption of MFRS 16) (Note 2.2)	116	719	835
Additions	-	304	304
At 31 December 2019	116	1,023	1,139
Accumulated depreciation			
At 1 January 2019	-	-	-
Depreciation during the year (Note 7)	26	532	558
At 31 December 2019	26	532	558
Net carrying amount	90	491	581

15. INTANGIBLE ASSETS

	Concession rights RM'000	Terminal building, plant and infrastructures RM'000	Capital work- in-progress RM'000	Total RM'000
Group				
At 31 December 2019				
Cost				
At 1 January 2019	11,157,366	11,181,739	509,358	22,848,463
Additions	-	25,629	400,209	425,838
Written off	-	(6,001)	-	(6,001)
Transfers	-	283,689	(318,020)	(34,331)
Foreign currency translation	(212,480)	(70,169)	(10)	(282,659)
At 31 December 2019	10,944,886	11,414,887	591,537	22,951,310

Notes to the Financial Statements (cont'd.)

31 December 2019

15. INTANGIBLE ASSETS (CONT'D.)

	Concession rights RM'000	Terminal building, plant and infrastructures RM'000	Capital work- in-progress RM'000	Total RM'000
Group				
At 31 December 2019				
Accumulated amortisation				
At 1 January 2019	2,510,849	3,572,620	-	6,083,469
Charge for the year (Note 7)	415,971	429,099	-	845,070
Written off	-	(5,988)	-	(5,988)
Foreign currency translation	(4,536)	(29,311)	-	(33,847)
At 31 December 2019	2,922,284	3,966,420	-	6,888,704
Net carrying amount	8,022,602	7,448,467	591,537	16,062,606
At 31 December 2018				
Cost				
At 1 January 2018	11,370,566	10,838,481	526,686	22,735,733
Additions	-	19,312	388,351	407,663
Written off	-	(19,458)	-	(19,458)
Transfers	-	396,289	(396,289)	-
Reclassified from/(to) property, plant and equipment	-	380	(8,319)	(7,939)
Foreign currency translation	(213,200)	(53,265)	(1,071)	(267,536)
At 31 December 2018	11,157,366	11,181,739	509,358	22,848,463
Accumulated amortisation				
At 1 January 2018	2,143,612	3,182,483	-	5,326,095
Charge for the year (Note 7)	407,559	420,682	-	828,241
Written off	-	(10,661)	-	(10,661)
Foreign currency translation	(40,322)	(19,884)	-	(60,206)
At 31 December 2018	2,510,849	3,572,620	-	6,083,469
Net carrying amount	8,646,517	7,609,119	509,358	16,764,994

Included in the cost of intangible assets of the Group is cost of fully depreciated intangible assets which are still in use amounting to RM873,423,000 (2018: RM556,737,000).

The Group's intangible assets comprises fair value of the consideration receivable for the construction service delivered during the stage of construction, including certain mark-up on the actual costs incurred.

Notes to the Financial Statements (cont'd.)

31 December 2019

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019	2018
	RM'000	RM'000
Unquoted shares at cost	2,274,899	1,962,902
Additional investment in subsidiaries	-	312,000
Dissolution of subsidiaries	-	(3)
	2,274,899	2,274,899

In prior year, the Company had made additional equity injection of ordinary shares in the following subsidiaries:

Name of company	No. of shares (‘000)	RM'000
Malaysia Airports (Sepang) Sdn. Bhd.	250,000	250,000
MA Elogistics Sdn. Bhd.	62,000	62,000
	312,000	312,000

Name of company	Country of incorporation	Issued and paid-up capital RM	Proportion of ownership interest held		Principal activities
			2019 %	2018 %	
Malaysia Airports Sdn. Bhd. 199101020335 (230646-U)	Malaysia	360,113,847	100	100	Management, operations, maintenance and provision of airport related services of Designated Airports in Malaysia other than KLIA and klia2.
Malaysia Airports (Sepang) Sdn. Bhd. 199401034797 (320480-D)	Malaysia	300,000,002	100	100	Management, operations, maintenance and provision of airport related services in KLIA and klia2.
Malaysia Airports (Niaga) Sdn. Bhd. 199301026572 (281310-V)	Malaysia	5,000,002	100	100	Operating duty free, non-duty free outlets and providing management services in respect of food and beverage outlets at airports.
Malaysia Airports Consultancy Services Sdn. Bhd. (MACS) 199601002899 (375245-X)	Malaysia	500,002	100	100	Provision of maintenance and technical services in connection with the airport industry.

Notes to the Financial Statements (cont'd.)

31 December 2019

16. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Name of company	Country of incorporation	Issued and paid-up capital RM	Proportion of ownership interest held		Principal activities
			2019 %	2018 %	
Malaysia Airports (Properties) Sdn. Bhd. (MAP) 199901009756 (484656-H)	Malaysia	2	100	100	Provision of non-passenger related services which involves property management and establishing fixed asset requirements.
MAB Agriculture-Horticulture Sdn. Bhd. 199801011774 (467902-D)	Malaysia	10,000,000	100	100	Cultivation and selling of oil palm and other agricultural products, and engaging in horticultural activities.
K.L. Airport Hotel Sdn. Bhd. 199501001669 (330863-D)	Malaysia				Owner of the hotel known as Sama-Sama Hotel, Sama-Sama Express KL International Airport and Sama-Sama Express klia2.
- ordinary shares		10,000,000	100	100	
- preference shares		900,000	100	100	
Malaysia Airports Technologies Sdn. Bhd. 200001009656 (512262-H)	Malaysia	1,150,002	100	100	Operations and maintenance services and Information and Communication Technology business ventures.
Malaysia Airports (Mauritius) Pte. Ltd ^{^^}	Mauritius	USD1,000	-	100	Dissolved.
MAHB (Mauritius) Pte. Ltd [@]	Mauritius	USD2	100	100	Investment holding.
Eraman (Malaysia) Sdn. Bhd. 199401038644 (324329-K)	Malaysia	2	100	100	Dormant. Intended principle activity is general trading.
Malaysia International Aerospace Centre Sdn. Bhd. 199701022747 (438244-H)	Malaysia	2	100	100	Planning, management and marketing for the development of Malaysia International Aerospace Centre at Sultan Abdul Aziz Shah Airport and other airports in Malaysia.

Notes to the Financial Statements (cont'd.)

31 December 2019

16. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Name of company	Country of incorporation	Issued and paid-up capital RM	Proportion of ownership interest held		Principal activities
			2019 %	2018 %	
Airport Ventures Sdn. Bhd. 200001009921 (512527-U)	Malaysia	2	100	100	Investment holding.
Malaysia Airports MSC Sdn. Bhd. (MAMSC) 200001014248 (516854-V)	Malaysia	500,000	100	100	Investment holding.
Malaysia Airports (Labuan) Pte. Ltd. (LL05298)	Malaysia	USD1,000	100	100	Investment holding.
Urusan Teknologi Wawasan Sdn. Bhd. 199801003752 (459878-D)	Malaysia	750,000	100	100	Provision of mechanical, electrical and civil engineering services.
Malaysia Airports Capital Berhad 201001022823 (906593-U)	Malaysia	2	100	100	Investment holding.
Malaysia Airports Consultancy Services Middle East LLC @ ^ (62645)	Qatar	QAR200,000	49	49	Facilities maintenance services at airports.
Malaysia Airports Cities Sdn. Bhd. (MA Cities) 201401037916 (1114062-X)	Malaysia	3,000	100	100	Investment holding.
Istanbul Sabiha Gokcen Uluslararası Havalimani Yatırım Yapım ve İşletme A.Ş.*@** (ISG)	Turkey	€ 178,741,000	100	100	Operation, management and development and provision of airport related services.
LGM Havalimani İşletmeleri Ticaret ve Turizm A.Ş. *@ (LGM)	Turkey	€ 209,037	100	100	Provision of management services in respect of transportation, parking, food and beverages, cleaning at the airport and construction of hotel and car park within the airport.

Notes to the Financial Statements (cont'd.)

31 December 2019

16. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Name of company	Country of incorporation	Issued and paid-up capital RM	Proportion of ownership interest held		Principal activities
			2019 %	2018 %	
KLIA Aeropolis Sdn. Bhd. (KASB) 201601041450 (1212392-H)	Malaysia	101	100	100	Investment holding.
Malaysia Airports International Sdn. Bhd. 201701006660 (1220825-V)	Malaysia	2	100	100	Investment holding.
MA Elogistics Sdn. Bhd. (MA Elogistics) 201701039513 (1253685-H)	Malaysia	62,000,100	100	100	Investment holding.
Malaysia Airports (Subang) Sdn. Bhd. 201801044711 (1306743-T)	Malaysia	100	100	100	Undertake all business relating to Subang Airport Regeneration.

@ Audited by a member firm of Ernst & Young Global.

* Effective interest held in each subsidiary through:

	2019 %	2018 %
Company	20	20
MAMSC	40	40
MA Cities	40	40
	100	100

** Investment in ISG with carrying amount of RM656,337,000 (2018: RM676,356,000) is pledged to financial institutions for credit facilities granted to the subsidiary as disclosed in Note 30.

^ Even though the proportion of ownership is 49%, MAHB's effective interest held is 100% due to certain terms and conditions as stipulated in the shareholder's agreement.

^^ Malaysia Airports (Mauritius) Pte. Ltd. has been dissolved during the year.

Notes to the Financial Statements (cont'd.)

31 December 2019

17. INVESTMENTS IN ASSOCIATES

		Group	
		2019	2018
		RM'000	RM'000
Unquoted shares at cost:			
- in Malaysia	(a)	88,640	88,640
Share of post-acquisition reserve	(b)	38,337	25,143
		126,977	113,783
Analysed as:			
(a) Unquoted shares at cost:			
At 1 January		88,640	60,908
Additional investment		—*	62,000
Disposal of investment		—	(34,268)
At 31 December		88,640	88,640
(b) Share of post-acquisition reserve:			
At 1 January		25,143	65,723
Share of results		15,294	12,821
Distribution of profits		(2,100)	(6,000)
Disposal of investment		—	(47,401)
At 31 December		38,337	25,143

* Amount below RM1,000

GMR Male International Airport Limited (GMIAL)

In prior year, MAHB had, via its wholly owned subsidiary, Malaysia Airports (Labuan) Private Limited (MALPL) entered into a Share Purchase Agreement (SPA) with GMR Holdings for the disposal of all the 8,812,190 equity shares, which represents 23% of the total issued and paid-up share capital of GMIAL to GMR Holdings, for a cash consideration of USD7,300,000 (equivalent to RM28,178,000).

Notes to the Financial Statements (cont'd.)

31 December 2019

17. INVESTMENTS IN ASSOCIATES (CONT'D.)

Details of the associates are as follows:

Name of associate	Country of incorporation	Issued and paid-up capital RM	Proportion of ownership interest held		Financial year end	Principal activities
			2019 %	2018 %		
Held through a subsidiary:						
Kuala Lumpur Aviation Fuelling System Sdn. Bhd. (KAF) ^	Malaysia	3,000,000	20	20	31 December	Development, management and operation of aviation fuelling system at KLIA.
MFMA Development Sdn. Bhd. (MFMA) ^	Malaysia	86,800,000	30	30	31 December	Development, operation and maintenance of a Factory Outlet Centre and its complementary components known as Mitsui Outlet Park KLIA.
Cainiao KLIA Aeropolis Sdn. Bhd. ^^	Malaysia	206,667,000	30	30	31 December	Development of a regional e-Commerce and logistics hub.
BP Malaysia Airports Subang Aerotech Sdn. Bhd. **^ (BP MASA)	Malaysia	10	30	30	31 March	Undertake the development of an aerospace and high tech park within Subang Aerotech Park in Subang.

** On 22 March 2019, MA Subang Sdn. Bhd., a subsidiary of the Group has entered into a Shareholders' Agreement with BP Aerotech (Subang) Sdn. Bhd. (BP Aerotech), to participate in an associate company under the name of BP Malaysia Airports Subang Aerotech Sdn. Bhd.

^ Audited by KPMG KL

^^ Audited by PWC KL

Notes to the Financial Statements (cont'd.)

31 December 2019

17. INVESTMENTS IN ASSOCIATES (CONT'D.)

(a) The summarised financial statements of associates are as follows:

	Group									
	2019					2018				
	KAF		MFMA		Cainiao KLIA Aeropolls	BP MASA	Total		KAF	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets and liabilities										
Current assets	36,858	66,992	-	13,228	-	-	117,078	35,819	41,727	84,816
Non-current assets	199,492	304,577	-	270,398	-	-	774,467	166,066	244,040	124,576
Current liabilities	(29,711)	(182,852)	(631)	(81,167)	(631)	(631)	(294,361)	(30,841)	(181,067)	(3,169)
Non-current liabilities	(104,917)	(52,913)	-	-	-	-	(157,830)	(56,896)	-	-
Equity	101,722	135,804	202,459	(631)	439,354	114,148	104,700	206,223	425,071	
Results										
Revenue	66,350	76,868	-	-	143,218	64,086	70,099	-	134,185	
Cost of sales	(19,550)	(25,552)	-	-	(45,102)	(22,322)	(27,349)	-	(49,671)	
Other income	(4,908)	991	1,898	-	(2,019)	26,901	5,796	1,429	34,126	
Administrative expenses	(12,370)	(2,418)	(4,519)	(631)	(19,938)	(23,920)	(21,063)	(1,872)	(46,855)	
Finance costs	(1,883)	(2,996)	-	-	(4,879)	(2,724)	-	-	(2,724)	
Profit/(loss) before tax for the year	27,639	46,893	(2,621)	(631)	71,280	42,021	27,483	(443)	69,061	
Income tax	(3,384)	(8,375)	(458)	-	(12,217)	(9,532)	(5,961)	-	(15,493)	
Profit/(loss) for the year	24,255	38,518	(3,079)	(631)	59,063	32,489	21,522	(443)	53,568	
Group's share of profit/(loss) for the year	4,851	11,555	(923)	(189)	15,294	6,498	6,456	(133)	12,821	
Cost of investment of the Group	600	26,040	62,000	-	88,640	600	26,040	62,000	88,640	

Notes to the Financial Statements (cont'd.)

31 December 2019

17. INVESTMENTS IN ASSOCIATES (CONT'D.)

- (b) Reconciliation of the summarised financial information to the carrying amount of the interest in the material associates recognised in the consolidated financial statements:

	Group									
	2019					2018				
	KAF		MFMA		Cainiao KLIA Aeroplis	BP MASA	Total	KAF	MFMA	Cainiao KLIA Aeroplis
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Proportion of net assets at date of recognition	20%	30%	30%	30%	30%	30%	-	20%	30%	30%
Carrying amount at beginning of the financial year	22,730	29,186	61,867	-	113,783	-	22,232	22,730	-	44,962
Share of net results for the financial year	4,851	11,555	(923)	(189)	15,294	6,498	6,456	(133)	62,000	(6,000)
Additional investment	-	-	-	-	-	-	-	-	-	-
Distribution of profits	(2,100)	-	-	-	(2,100)	-	-	-	-	-
Carrying amount at the end of the financial year	25,481	40,741	60,944	(189)	126,977	22,730	29,186	61,867	113,783	-

Notes to the Financial Statements (cont'd.)

31 December 2019

18. INVESTMENTS IN JOINT VENTURES

		Group		Company	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Unquoted shares at cost:					
- in Malaysia	(a)	53,718	53,718	53,718	53,718
Share of post-acquisition reserve	(b)	50,492	43,100	-	-
		104,210	96,818	53,718	53,718
Analysed as:					
(a) Unquoted shares at cost:					
At 1 January/31 December		53,718	53,718	53,718	53,718
(b) Share of post-acquisition reserve:					
At 1 January		43,100	38,313	-	-
Share of results		19,424	17,297	-	-
Distribution of profits		(12,032)	(12,510)	-	-
At 31 December		50,492	43,100	-	-

Details of the joint ventures are as follows:

Name of entity	Country of incorporation	Issued and paid-up capital RM	Effective interest held		Financial year end	Principal activities
			2019 %	2018 %		
Held by the Company:						
Segi Astana Sdn. Bhd. (SASB)*	Malaysia	106,060,000	30	30	31 December	Development, management and operations of property.
Airport Cooling Energy Supply Sdn. Bhd. (ACES)**^	Malaysia				31 December	Development, management and operations of chilled water plant.
- ordinary shares		19,040,000	23	23		
- redeemable preference shares		761,600	23	23		

Notes to the Financial Statements (cont'd.)

31 December 2019

18. INVESTMENTS IN JOINT VENTURES (CONT'D.)

Details of the joint ventures are as follows: (cont'd.)

- * On 22 September 2011, the Company entered into a Joint Venture Agreement with WCT Land Sdn. Bhd. to provide ancillary and complementary support services and facilities to the klia2 Terminal Building, through SASB.
- ** On 27 October 2011, the Company entered into a Joint Venture Agreement with TNB Engineering Corporation Berhad and incorporated ACES for the operation and maintenance of a generation plant for the supply of chilled water and power at klia2.
- ^ Audited by PWC KL.

Both SASB and ACES are deemed to be joint ventures of the Group as the parties involved have the ability to jointly control the key decisions affecting strategic decisions and operations of these companies pursuant to the shareholders agreements.

Notes to the Financial Statements (cont'd.)

31 December 2019

18. INVESTMENTS IN JOINT VENTURES (CONT'D.)

(a) The summarised financial statements of joint ventures are as follows:

	Group					
	2019			2018		
	SASB RM'000	ACES RM'000	Total RM'000	SASB RM'000	ACES RM'000	Total RM'000
Assets and liabilities						
Current assets	130,914	67,787	198,701	115,331	66,791	182,122
Non-current assets	531,885	349,633	881,518	550,794	358,986	909,780
Current liabilities	(77,526)	(41,394)	(118,920)	(48,220)	(39,500)	(87,720)
Non-current liabilities	(414,989)	(147,825)	(562,814)	(461,253)	(172,437)	(633,690)
Equity	170,284	228,201	398,485	156,652	213,840	370,492
Results						
Revenue	134,018	73,676	207,694	127,224	74,588	201,812
Cost of sales	(33,921)	(22,526)	(56,447)	(31,453)	(19,658)	(51,111)
Other income	13,816	1,143	14,959	11,797	1,310	13,107
Administrative expenses	(40,148)	(183)	(40,331)	(37,323)	(1,492)	(38,815)
Finance costs	(21,815)	(7,782)	(29,597)	(27,562)	(9,579)	(37,141)
Profit before tax for the year	51,950	44,328	96,278	42,683	45,169	87,852
Income tax	(13,395)	(10,167)	(23,562)	(12,205)	(9,715)	(21,920)
Profit for the year	38,555	34,161	72,716	30,478	35,454	65,932
Group's share of profit for the year	11,567	7,857	19,424	9,143	8,154	17,297
Cost of investment of the Group	31,818	21,900	53,718	31,818	21,900	53,718

Notes to the Financial Statements (cont'd.)

31 December 2019

18. INVESTMENTS IN JOINT VENTURES (CONT'D.)

- (b) Reconciliation of the summarised financial information to the carrying amount of the interest in the material joint ventures recognised in the consolidated financial statements:

	Group					
	2019			2018		
	SASB RM'000	ACES RM'000	Total RM'000	SASB RM'000	ACES RM'000	Total RM'000
Proportion of net assets at date of recognition	30%	23%	-	30%	23%	-
Carrying amount at beginning of the financial year	46,902	49,916	96,818	45,714	46,317	92,031
Share of net results for the financial year	11,567	7,857	19,424	9,143	8,154	17,297
Distribution of profits	(7,477)	(4,555)	(12,032)	(7,955)	(4,555)	(12,510)
Carrying amount at the end of the financial year	50,992	53,218	104,210	46,902	49,916	96,818

Notes to the Financial Statements (cont'd.)

31 December 2019

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2019	2018
	RM'000	RM'000
Current		
Quoted unit trust in Malaysia at fair value	1,755,820	1,303,715
Non-current		
Quoted bonds in Malaysia at fair value	8,228	8,089
Quoted unit trust in Malaysia at fair value	13,666	30,678
Unquoted shares at fair value outside Malaysia*	311,004	314,806
	332,898	353,573
Total	2,088,718	1,657,288

Unquoted shares of RM214,374,000 (2018: RM216,994,000) of the Group are pledged as security in respect of certain agreements entered into by the Group.

* On 2 February 2018, the Group has entered into a Share Purchase Agreement (SPA) with GMR Airports Limited (Purchaser or GMR Airports), for the disposal of all the 41,580,000 equity shares of INR10 each which represents 11% of the total issued and paid-up share capital GMR Hyderabad International Airport Limited (GHIAL) to GMR Airports, for a cash consideration of USD76,050,000, equivalent to RM314,806,000 subject to the terms and conditions contained in the SPA (Proposed Disposal).

On 2 January 2019, MAHB announced that the SPA in relation to the Proposed Disposal of its entire 11% equity interest in GHIAL has been automatically terminated due to failure of the Purchaser to complete their obligation in accordance with the terms of the SPA by 31 December 2018.

On 10 December 2019, GMR Infrastructure Limited, the holding company of GMR Airports, had expressed their interest in writing to acquire MAHB's entire equity interest in GHIAL and discussions are currently underway on this Proposed Disposal.

Notes to the Financial Statements (cont'd.)

31 December 2019

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D.)

	Company	
	2019	2018
	RM'000	RM'000
Current		
Quoted unit trust in Malaysia at fair value	383,651	480,696
Non-current		
Quoted bonds in Malaysia at fair value	8,228	8,089
Quoted unit trust in Malaysia at fair value	13,666	28,035
	21,894	36,124
Total	405,545	516,820

20. FAIR VALUE MEASUREMENT

The disclosure provides information on fair value measurements for both financial instruments and non-financial assets and liabilities and is structured as follows:

- (a) Valuation principles;
- (b) Valuation technique;
- (c) Fair value measurements and classification within the fair value hierarchy; and
- (d) Movements of Level 3 instruments.

(a) Valuation principles

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer liability in an orderly transaction between market participants in the principal or most advantageous market as of measurement date.

Disclosure of fair value measurements are by level of the following fair value measurement hierarchy:

Level 1

Quoted price (unadjusted) in active markets for identical assets or liabilities.

Level 2

Inputs other than quoted price included within Level 1 that are observable for asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3

Valuation techniques for which significant inputs are not based on observable market data.

Notes to the Financial Statements (cont'd.)

31 December 2019

20. FAIR VALUE MEASUREMENT (CONT'D.)

(b) Valuation technique

The valuation technique used for the financial instruments not determined by reference to quoted prices (Level 1) are described below:

Quoted bond and quoted unit trust

The fair value of financial assets are determined by reference to prices quoted by independent data providers and independent brokers.

Unquoted equity shares

The fair value of financial asset is derived using discounted cash flow valuation technique.

(c) Fair value measurements and classification within the fair value hierarchy

	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Total RM'000	RM'000	RM'000
Group			
As at 31 December 2019			
Financial assets at FVTPL (Note 19)			
Quoted bond	8,228	-	8,228
Quoted unit trust	1,769,486	-	1,769,486
Unquoted equity shares	311,004	-	311,004
	2,088,718	-	1,777,714

Note: The accounting policy for determining when transfers between levels of the fair value hierarchy occurred is disclosed in Notes 2.4(d). There were no transfers between Level 1, Level 2 and Level 3 for the Group and Company during the financial year ended 31 December 2019.

Notes to the Financial Statements (cont'd.)

31 December 2019

20. FAIR VALUE MEASUREMENT (CONT'D.)

(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)

		Fair value measurement using		
		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
	Total	(Level 1)	(Level 2)	(Level 3)
	RM'000	RM'000	RM'000	RM'000
Group (cont'd.)				
As at 31 December 2018				
Financial assets at FVTPL (Note 19)				
Quoted bond	8,089	-	8,089	-
Quoted unit trust	1,334,393	-	1,334,393	-
Unquoted equity shares	314,806	-	-	314,806
	1,657,288	-	1,342,482	314,806

Description of significant unobservable inputs to valuation:

Investments designated as fair value through profit or loss - unquoted equity shares

Valuation technique	Significant unobservable inputs	Sensitivity of input to fair value	Fair value	
			2019 RM'000	2018 RM'000
Offer price	N/A	N/A	-	314,806
Discounted cash flow	(i)	(ii)	311,004	-

(i) Discount rate (ranging from 11.6% -13.5%)

(ii) 4% increase/(decrease) in the discount would result in decrease/(increase) in fair value by RM47,000,000

Notes to the Financial Statements (cont'd.)

31 December 2019

20. FAIR VALUE MEASUREMENT (CONT'D.)

(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)

	Fair value measurement using		
	Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
Total RM'000			
Company			
As at 31 December 2019			
Financial assets at FVTPL (Note 19)			
Quoted bond	8,228	-	8,228
Quoted unit trust	397,317	-	397,317
	405,545	-	405,545
As at 31 December 2018			
Financial assets at FVTPL (Note 19)			
Quoted bond	8,089	-	8,089
Quoted unit trust	508,731	-	508,731
	516,820	-	516,820

(d) Movements of Level 3 instruments

The following table presents additional information about Level 3 financial assets and financial liabilities measured at fair value:

	Note	2019 RM'000	2018 RM'000
Group			
At 1 January		314,806	39,165
Unrealised (loss)/gain recognised in income statements	4	(3,802)	275,641
At 31 December		311,004	314,806

Notes to the Financial Statements (cont'd.)

31 December 2019

21. TRADE AND OTHER RECEIVABLES

	Group	
	2019	2018
	RM'000	RM'000
Current		
Trade receivables		
Third parties	688,824	560,444
Due from GoM	49,344	51,705
Accrued revenue	83,871	139,410
Contract asset	14,457	24,552
	836,496	776,111
Less:		
Accumulated allowances of impairment on receivables	(161,687)	(180,134)
Trade receivables, net	674,809	595,977
Other receivables		
Due from GoM	150,150	501,313
Employee loans (Note 22)	3,129	3,516
Deposits	15,123	15,929
Prepayments	32,676	22,674
Sundry receivables	113,985	161,028
	315,063	704,460
Less:		
Accumulated allowances of impairment on receivables	(16,219)	(16,906)
Other receivables, net	298,844	687,554
Total current	973,653	1,283,531

Notes to the Financial Statements (cont'd.)

31 December 2019

21. TRADE AND OTHER RECEIVABLES (CONT'D.)

	Group	
	2019	2018
	RM'000	RM'000
Non-current		
Trade receivables		
Third parties	10	71
Other receivables		
Due from GoM	315,651	-
Sundry receivables	49,927	37,515
	365,578	37,515
Total non-current	365,588	37,586
 Total trade and other receivables (current and non-current)	 1,339,241	 1,321,117
Add: Cash and cash equivalents (Note 26)	1,453,136	1,450,471
Less: Prepayments	(32,676)	(22,674)
Total loans and receivables	2,759,701	2,748,914

Notes to the Financial Statements (cont'd.)

31 December 2019

21. TRADE AND OTHER RECEIVABLES (CONT'D.)

	Company	
	2019	2018
	RM'000	RM'000
Current		
Other receivables		
Due from GoM	49,204	48,258
Amounts due from subsidiaries	2,331,367	2,361,698
Deposits	39	30
Prepayments	2,091	2,819
Sundry receivables	8,872	9,859
	2,391,573	2,422,664
Less:		
Accumulated allowances of impairment on receivables	(1,007)	(1,041)
Other receivables, net	2,390,566	2,421,623
Non-current		
Other receivables		
Amounts due from a subsidiary	4,406,462	4,301,799
Total trade and other receivables (current and non-current)	6,797,028	6,723,422
Add: Cash and cash equivalents (Note 26)	37,860	115,972
Less: Prepayments	(2,091)	(2,819)
Total loans and receivables	6,832,797	6,836,575

Notes to the Financial Statements (cont'd.)

31 December 2019

21. TRADE AND OTHER RECEIVABLES (CONT'D.)

Ageing analysis of trade receivables

The ageing analysis of the Group's total trade receivables, but excluding accrued revenue is as follows:

	Group	
	2019 RM'000	2018 RM'000
Current	426,017	326,179
1 to 30 days	39,626	44,796
31 to 60 days	29,835	37,788
61 to 90 days	24,906	31,922
91 to 120 days	3,610	25,002
More than 121 days	52,497	38,638
	150,474	178,146
Impaired	161,687	107,895
	738,178	612,220

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. More than 60% (2018: 69%) of the Group's trade receivables arise from customers with more than 5 years of experience with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are impaired

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various customer segments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Group considers a financial asset in default when contractual payment are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Notes to the Financial Statements (cont'd.)

31 December 2019

21. TRADE AND OTHER RECEIVABLES (CONT'D.)Movement of impairment for trade and other receivables:

	Group	
	2019	2018
	RM'000	RM'000
Trade receivables		
At 1 January	180,134	150,322
Net (writeback)/allowance of impairment on receivables (Note 7)	(18,281)	30,300
Foreign currency translation	(166)	(488)
At 31 December	161,687	180,134
Other receivables		
At 1 January	16,906	29,171
Net writeback of impairment on receivables (Note 7)	(687)	(12,265)
At 31 December	16,219	16,906

	Company	
	2019	2018
	RM'000	RM'000
Other receivables		
At 1 January	1,041	6,241
Net writeback of impairment on receivables (Note 7)	(34)	(5,200)
At 31 December	1,007	1,041

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Notes to the Financial Statements (cont'd.)

31 December 2019

21. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to monitor the Group's credit risk. Overdue balances are reviewed regularly by senior management and bears interest at 1% (2018: 1%) per month on overdue balances. As at reporting date, the concentration of credit risk in the form of outstanding balances is mainly due to six (2018: six) customers representing approximately 56% (2018: 51%) of the total trade receivables.

(b) Amounts due from subsidiaries

(i) Current

Amounts due from subsidiaries are non-interest bearing and are repayable on demand. All related parties receivables are unsecured and are to be settled in cash.

(ii) Non-current

Amount due from a subsidiary is unsecured and bear interest at 4.83% (2018: 4.83%) per annum.

(c) Sundry receivables (Non-current)

Included in sundry receivables is Value Added Tax (VAT) receivable of RM41,996,000 (2018: RM29,502,000) classified as long-term receivables. These amounts arose from the Utilisation Fee liability to the Administration, and will not be refunded in cash or allowed to offset against other tax liabilities. ISG will be offsetting these long-term receivables when it generates such a level of revenue that the VAT payable arising would exceed VAT paid for other operational and investing activities.

(d) Prepayments

Prepayments amounting to RM7,767,000 (2018: RM10,236,000) are in respect of leasing equipment for klia2.

Notes to the Financial Statements (cont'd.)

31 December 2019

21. TRADE AND OTHER RECEIVABLES (CONT'D.)

(e) Due from GoM

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current				
Trade receivable				
MARCS (Note 2.4 (z)(iv))	49,344	51,705	-	-
Other receivables				
Debts assumed from a former subsidiary	121,200	116,736	49,204	48,258
Racing circuit	-	305,577	-	-
Expansion and development	28,950	79,000	-	-
	150,150	501,313	49,204	48,258
Non-current				
Other receivables				
Racing circuit	275,842	-	-	-
Expansion and development	39,809	-	-	-
	315,651	-	-	-
Total amount due from GoM	515,145	553,018	49,204	48,258

Other information on financial risks of trade and other receivables are disclosed in Note 39.

Notes to the Financial Statements (cont'd.)

31 December 2019

22. EMPLOYEE LOANS

	Group	
	2019	2018
	RM'000	RM'000
Employee loans	27,888	30,301
Less: Current portion (Note 21)	(3,129)	(3,516)
Non-current portion	24,759	26,785
Analysed as:		
Current	3,129	3,516
Non-current:		
Later than 1 year but not later than 2 years	2,800	2,720
Later than 2 years but not later than 5 years	7,415	7,260
Later than 5 years	14,544	16,805
	24,759	26,785
	27,888	30,301

The employee loans attract interest rate at 4% (2018: 4%) per annum.

23. DEFERRED TAX (ASSETS)/LIABILITIES

	Group	
	2019	2018
	RM'000	RM'000
At 1 January	728,730	673,462
Recognised in the statements of profit or loss (Note 9)	14,409	63,697
Recognised in equity	2,703	766
Foreign currency translation	(17,032)	(9,195)
At 31 December	728,810	728,730
Presented in the statements of financial position as follows:		
Deferred tax assets	(172,373)	(190,913)
Deferred tax liabilities	901,183	919,643
	728,810	728,730

Notes to the Financial Statements (cont'd.)

31 December 2019

23. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D.)

	Company	
	2019	2018
	RM'000	RM'000
At 1 January	-	(352)
Recognised in the statements of profit or loss (Note 9)	-	352
At 31 December	-	-
Presented in the statements of financial position as follows:		
Deferred tax assets	(10,193)	(10,942)
Deferred tax liabilities	10,193	10,942
	-	-

The component and movement of deferred tax liabilities and assets during the financial year are as follows:

Deferred tax liabilities of the Group:

	Property, plant and equipment and intangibles	Borrowings	Total
	RM'000	RM'000	RM'000
At 1 January 2019	1,851,105	12,779	1,863,884
Recognised in the statements of profit or loss	(35,700)	(12,247)	(47,947)
Foreign currency translation	(42,495)	(308)	(42,803)
At 31 December 2019	1,772,910	224	1,773,134
Less: Offset against deferred tax assets			(871,951)
			901,183
At 1 January 2018	1,902,774	10,661	1,913,435
Recognised in the statements of profit or loss	(22,770)	2,453	(20,317)
Foreign currency translation	(28,899)	(335)	(29,234)
At 31 December 2018	1,851,105	12,779	1,863,884
Less: Offset against deferred tax assets			(944,241)
			919,643

Notes to the Financial Statements (cont'd.)

31 December 2019

23. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D.)**Deferred tax assets of the Group:**

	Investment tax allowances	Fair value of the interest swap	Unutilised tax losses and unabsorbed capital allowances	Receivables	Retirement benefits	Payables	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	(176,677)	(11,419)	(72,469)	(62,528)	(141)	(811,920)	(1,135,154)
Recognised in the statements of profit or loss	32,721	(1,624)	12,596	(19,950)	(209)	38,822	62,356
Recognised in equity	-	2,703	-	-	-	-	2,703
Foreign currency translation	-	327	1,833	-	41	23,570	25,771
At 31 December 2019	(143,956)	(10,013)	(58,040)	(82,478)	(309)	(749,528)	(1,044,324)
Less: Offset against deferred tax liabilities							871,951
							(172,373)
At 1 January 2018	(46,320)	(9,221)	(292,135)	(53,387)	(168)	(838,742)	(1,239,973)
Recognised in the statements of profit or loss	(130,357)	(3,188)	217,965	(9,141)	61	8,674	84,014
Recognised in equity	-	766	-	-	-	-	766
Foreign currency translation	-	224	1,701	-	(34)	18,148	20,039
At 31 December 2018	(176,677)	(11,419)	(72,469)	(62,528)	(141)	(811,920)	(1,135,154)
Less: Offset against deferred tax liabilities							944,241
							(190,913)

Notes to the Financial Statements (cont'd.)

31 December 2019

23. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D.)**Deferred tax liability of the Company:**

	Property, plant and equipment RM'000
At 1 January 2019	10,942
Recognised in the statements of profit or loss	(749)
At 31 December 2019	10,193
At 1 January 2018	13,086
Recognised in the statements of profit or loss	(2,144)
At 31 December 2018	10,942

Deferred tax asset of the Company:

	Receivables RM'000	Payables RM'000	Unutilised tax losses and capital allowances RM'000	Total RM'000
At 1 January 2019	(250)	(6,580)	(4,112)	(10,942)
Recognised in the statements of profit or loss	178	(3,860)	4,431	749
At 31 December 2019	(72)	(10,440)	319	(10,193)
At 1 January 2018	(1,498)	(10,157)	(1,783)	(13,438)
Recognised in the statements of profit or loss	1,248	3,577	(2,329)	2,496
At 31 December 2018	(250)	(6,580)	(4,112)	(10,942)

The unutilised tax losses and unabsorbed capital allowance are available for offsetting against future taxable profits for a maximum period of seven years of assessment of the Company under the Income Tax Act, 1967 and guidelines issued by the tax authority.

Notes to the Financial Statements (cont'd.)

31 December 2019

24. INVENTORIES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cost				
Spares and consumables	39,505	36,889	13	13
Merchandise goods	128,879	90,149	-	-
Food and beverages	1,425	858	-	-
	169,809	127,896	13	13

The cost of inventories relating to merchandise goods and food and beverages recognised as an expense during the current financial year amounted to RM435,628,000 (2018: RM421,343,000).

25. BIOLOGICAL ASSETS

	Group	
	2019	2018
	RM'000	RM'000
Fair value less cost to sell of biological assets	2,365	1,641

The fair value of biological assets was based on the estimated quantity of FFBs forecasted and the observable current market price of FFBs at each point of fair value.

26. CASH AND CASH EQUIVALENTS

	Group	
	2019	2018
	RM'000	RM'000
Cash on hand and at banks	286,561	412,670
Deposits with licensed banks	1,166,575	1,037,801
Cash and bank balances	1,453,136	1,450,471

Notes to the Financial Statements (cont'd.)

31 December 2019

26. CASH AND CASH EQUIVALENTS (CONT'D.)

	Company	
	2019	2018
	RM'000	RM'000
Cash on hand and at banks	24,251	102,683
Deposits with licensed banks	13,609	13,289
Cash and bank balances	37,860	115,972

Other information on financial risks of cash and cash equivalents are disclosed in Note 39.

For the purpose of consolidated statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group	
	2019	2018
	RM'000	RM'000
Cash and bank balances	1,453,136	1,450,471

27. SHARE CAPITAL

	Number of shares	
	2019	2018
Issued and fully paid:		
Special Rights Redeemable Preference Share	1	1
Ordinary shares	1,659,191,828	1,659,191,828
	1,659,191,829	1,659,191,829

	Group/Company	
	2019	2018
	RM'000	RM'000
Issued and fully paid:		
<u>Ordinary shares</u>		
At 1 January/31 December	5,114,341	5,114,341

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Notes to the Financial Statements (cont'd.)

31 December 2019

27. SHARE CAPITAL (CONT'D.)

Special Rights Redeemable Preference Share

- (a) The Special Rights Redeemable Preference Share (Special Share) of RM1 enables the GoM, through the Ministry of Finance, to ensure that certain major decisions affecting the operations of the Company are consistent with GoM policies. The Special Shareholder, which may only be the GoM or any representative or person acting on its behalf, is entitled to receive notices of meetings but not entitled to vote at such meetings of the Company. However, the Special Shareholder is entitled to attend and speak at such meetings. The Special Shareholder has the right to appoint any person, but not more than six at any time, to be directors.
- (b) The Special Shareholder has the right to require the Company to redeem the Special Share at par at any time by serving written notice upon the Company and delivering the relevant share certificate.
- (c) The Special Shareholder shall be entitled to repayment of the capital paid-up on the Special Share in priority to any repayment of capital to any other member.
- (d) The Special Shareholder does not have any right to participate in the capital or profits of the Company.
- (e) Certain matters which vary the rights attached to the Special Share can only be effective with the written consent of the Special Shareholder, in particular matters relating to the creation and issue of additional shares which carry different voting rights, the dissolution of the Company, substantial disposal of assets, amalgamations, merger and takeover.

28. RETAINED EARNINGS

The Company may distribute dividends out of its entire retained earnings under the single-tier system.

29. OTHER RESERVES AND FOREIGN EXCHANGE RESERVE

(a) Foreign exchange reserve

Foreign exchange reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Notes to the Financial Statements (cont'd.)

31 December 2019

29. OTHER RESERVES AND FOREIGN EXCHANGE RESERVE (CONT'D.)**(b) Other reserves**

		Group	
	Note	2019 RM'000	2018 RM'000
Reserve arising from acquisition of non-controlling interest			
As at 1 January/31 December	(i)	2,546	2,546
Legal reserve			
As at 1 January		4,251	4,345
Foreign currency translation		(124)	(94)
As at 31 December	(ii)	4,127	4,251
Actuarial loss on retirement benefit			
As at 1 January		(2,812)	-
Actuarial loss during the year	(iii)	(3,103)	(2,812)
As at 31 December		(5,915)	(2,812)
		758	3,985

(i) Reserve arising from acquisition of non-controlling interest

This relates to the discount on acquisition of non-controlling interest in prior years.

(ii) Legal reserve

- (1) In accordance with Qatar Commercial Companies' Law No. 11 of 2015, (the Qatari Law) and the Articles of Association of MACS ME, 10% of the MACS ME's profit for the period is required to be transferred to a Legal Reserve until such time the reserve equals 50% of MACS ME's paid-up capital. This reserve is not available for distribution except in the circumstances stipulated under the Qatari Law.
- (2) According to Turkish Commercial Code (TCC), legal reserve comprise first and second legal reserves. The first legal reserve is generated by annual appropriations amounting to 5% of income disclosed in the LGM's statutory accounts until it reaches 20% of paid-in share capital. If the dividend distribution is made in accordance with Dividend Distribution Communique II-19.1, a further 1/10 of dividend distributions, in excess of 5% of paid-in capital is to be appropriated to increase second legal reserve. If the dividend distribution is made in accordance with statutory records, a further 1/11 of dividend distributions, in excess of 5% of paid-in capitals are to be appropriated to increase second legal reserve. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital. As at 31 December 2019, total legal reserves in LGM amounts to EUR874,000 equivalent to RM4,012,000 (2018: EUR874,000, equivalent to RM4,137,000).

Notes to the Financial Statements (cont'd.)

31 December 2019

29. OTHER RESERVES AND FOREIGN EXCHANGE RESERVE (CONT'D.)

(b) Other reserves (cont'd.)

(iii) Actuarial loss on retirement benefits

Under the Turkish Labor Law, ISG is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, or who retires or resigns. The indemnity is one month's salary for each working year and is limited to TL6,380, equivalent to EUR1,008 or RM4,627 (2018: TL5,430, equivalent to EUR915 or RM4,330).

ISG made calculation for the retirement pay liability by applying the prescribed liability method, by the experiences and by considering the personnel who become eligible for pension. This provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel. The provision has been calculated by estimating the present value of the future probable obligation of ISG arising from the retirement of employees. Accordingly the following actuarial assumptions have been used in the calculation of the total liability:

	2019	2018
Discount ratio	4.00%	9.00%
Retention rate to estimate to probability of retirement	98.00%	97.00%

Movements of the provision for retirement pay liability:

	2019 RM'000	2018 RM'000
Group		
As at 1 January	4,808	2,247
Service cost	751	208
Interest cost	578	279
Actuarial loss	3,103	2,812
Payment	(413)	(738)
As at 31 December	8,827	4,808

Notes to the Financial Statements (cont'd.)

31 December 2019

30. BORROWINGS

		Group		Company	
		2019	2018	2019	2018
	Maturity	RM'000	RM'000	RM'000	RM'000
Current					
Unsecured:					
4.55% p.a. fixed rate RM IMTN	2020	1,000,000	-	1,000,000	-
Secured:					
Euribor + 2.5% p.a. Senior Term Facility	2020	247,012	-	-	-
Senior Term Facility	2019	-	212,357	-	-
		1,247,012	212,357	1,000,000	-
Non-current					
Unsecured:					
4.55% p.a. fixed rate RM IMTN	2020	-	1,000,000	-	1,000,000
4.68% p.a. fixed rate RM IMTN	2022	1,500,000	1,500,000	1,500,000	1,500,000
4.15% p.a. fixed rate RM IMTN	2024	600,000	600,000	600,000	600,000
Secured:					
Euribor + 2.5% p.a. Senior Term Facility	2021 - 2023	1,585,721	-	-	-
Senior Term Facility	2020 - 2023	-	1,830,929	-	-
		3,685,721	4,930,929	2,100,000	3,100,000

Notes to the Financial Statements (cont'd.)

31 December 2019

30. BORROWINGS (CONT'D.)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Total borrowings				
4.55% p.a. fixed rate RM IMTN	1,000,000	1,000,000	1,000,000	1,000,000
4.68% p.a. fixed rate RM IMTN	1,500,000	1,500,000	1,500,000	1,500,000
4.15% p.a. fixed rate RM IMTN	600,000	600,000	600,000	600,000
Euribor + 2.5% p.a.				
Senior Term Facility	1,832,733	2,043,286	-	-
	4,932,733	5,143,286	3,100,000	3,100,000

The movement in the borrowings is as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
At 1 January	5,143,286	5,549,286	3,100,000	3,350,000
Interest accrual	60,894	66,775	-	-
Repayment of principal	(162,600)	(367,950)	-	(250,000)
Repayment of interest	(50,316)	(54,541)	-	-
Foreign currency translation	(58,531)	(50,284)	-	-
At 31 December	4,932,733	5,143,286	3,100,000	3,100,000

The remaining maturities of the borrowings is as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Within one year	1,247,012	212,357	1,000,000	-
More than 1 year and less than 2 years	1,906,664	1,246,801	1,500,000	1,000,000
More than 2 years and less than 5 years	1,779,057	3,084,128	600,000	1,500,000
5 years or more	-	600,000	-	600,000
	4,932,733	5,143,286	3,100,000	3,100,000

Notes to the Financial Statements (cont'd.)

31 December 2019

30. BORROWINGS (CONT'D.)

(a) ICP Programme and IMTN Programme (collectively referred to as the Sukuk Programmes)

Malaysia Airports Capital Berhad (MACB or the Issuer), a wholly owned subsidiary of MAHB, is a special purpose vehicle and its principal activity is to undertake the issuance of Ringgit-denominated Islamic Commercial Papers (ICPs) and Islamic Medium Term Notes (IMTNs) pursuant to an Islamic Commercial Paper Programme (ICP Programme) and an Islamic Medium Term Notes Programme (IMTN Programme), respectively in accordance with Shariah Principles (collectively referred to as the Sukuk Programmes).

The Sukuk Programmes have a combined aggregate nominal value of up to RM3,100,000,000 (with a sub-limit of RM1,000,000,000 in nominal value for the ICP Programme).

Proceeds raised from the Sukuk Programmes were utilised by MAHB to part finance the construction of a new terminal (klia2) and/or to refinance MAHB's existing borrowings/financing which were utilised for Shariah-compliant purposes and/or for MAHB's Shariah-compliant general corporate purposes.

The Sukuk Programmes has been accorded a short-term rating of P1 and long-term rating of AAA/Stable respectively by RAM Rating Services Berhad (RAM). The Sukuk Programmes are issued under the Shariah Principle of Ijarah and Murabahah utilising Commodity (Commodity Murabahah).

On 30 August 2010, MACB completed the issuance of the first tranche comprising RM1,000,000,000 nominal value IMTNs under the Shariah Principle of Ijarah pursuant to the IMTN Programme. The IMTNs issued under the first tranche have a tenure of ten (10) years from the date of issuance with a periodic distribution (coupon) rate of 4.55% per annum.

On 17 December 2010, MACB completed the issuance of the second tranche comprising RM1,500,000,000 nominal value IMTNs pursuant to the IMTN Programme based on the Shariah Principle of Commodity Murabahah. The IMTNs issued under the second tranche have a tenure of twelve (12) years from the date of issuance with a periodic distribution (coupon) rate of 4.68% per annum.

On 28 December 2012, MACB completed the issuance of the final tranche comprising RM600,000,000 nominal value IMTNs pursuant to the IMTN Programme based on the Shariah Principle of Commodity Murabahah. The IMTNs issued under the final tranche have a tenure of twelve (12) years from the date of issuance with a periodic distribution (coupon) rate of 4.15% per annum.

These notes with total face value of RM3,100,000,000 are unsecured. Details of the notes are as follows:

Coupon rate	Issue size (RM'000)	Issue date	Maturity date
4.55%	1,000,000	30.08.2010	28.08.2020
4.68%	1,500,000	17.12.2010	16.12.2022
4.15%	600,000	28.12.2012	27.12.2024

Notes to the Financial Statements (cont'd.)

31 December 2019

30. BORROWINGS (CONT'D.)

(b) Senior Sukuk Programme and Perpetual Subordinated Sukuk Programme (collectively referred to as the Sukuk Musharakah Programmes)

The Company also undertook a Senior Sukuk Programme and Perpetual Subordinated Sukuk Programme with a combined aggregate limit of up to RM2,500,000,000 under the Shariah Principle of Musharakah (collectively referred to as the Sukuk Musharakah Programmes). MAHB is the issuer for the Sukuk Musharakah Programmes.

The proceeds from the Sukuk Musharakah Programmes issuance shall be utilised for the working capital requirements, general investments and/or refinance any borrowings/ financing of MAHB and/or its subsidiaries, which are Shariah-compliant.

The Senior Sukuk Programme has been accorded long-term rating of AAA/Stable respectively by RAM while the Perpetual Subordinated Sukuk Programme have been accorded with long-term rating of AA2/Stable. Both the Senior Sukuk Programme and the Perpetual Subordinated Sukuk Programme are issued under the Shariah Principle of Musharakah.

On 6 September 2013, MAHB has completed the issuance of RM500,000,000 Senior Sukuk (Sukuk Musharakah) via a dual tranche offering pursuant to the Senior Sukuk Programme. The Senior Sukuk offering comprises a three years, RM250,000,000 tranche and a five years, RM250,000,000 tranche with a periodic distribution rate (per annum, payable semi-annually) of 3.85% and 4.15% respectively.

On 15 December 2014, the Company has completed the issuance of RM1,000,000,000 Perpetual Subordinated Sukuk pursuant to the Perpetual Subordinated Sukuk Programme. The Perpetual Subordinated Sukuk is structured as a Perpetual Sukuk and accounted as equity (as stated in Notes 2.4(ad) and 31).

The Senior Sukuk with total face value of RM500,000,000 was repaid in previous years. Details of the Senior Sukuk are as follows:

Coupon rate	Issue size (RM'000)	Issue date	Maturity date
3.85%	250,000	06.09.2013	06.09.2016
4.15%	250,000	06.09.2013	06.09.2018

Notes to the Financial Statements (cont'd.)

31 December 2019

30. BORROWINGS (CONT'D.)

(b) Senior Sukuk Programme and Perpetual Subordinated Sukuk Programme (collectively referred to as the Sukuk Musharakah Programmes) (cont'd.)

The terms of the Sukuk Programmes and the Sukuk Musharakah Programmes contain various covenants including the following:

MAHB shall maintain a Debt to Equity Ratio (D:E Ratio) not exceeding 1.25 times throughout the tenure of the Sukuk Programmes. The D:E Ratio is the ratio of indebtedness of the Group represented by:

- (i) the aggregate face value of all outstanding ICPs, and all outstanding principal amount payable under the IMTNs and the Senior Sukuk Programme; and
- (ii) all other indebtedness of the Company for borrowed monies (be it actual or contingent) for principal only, hire purchase obligations, finance lease obligations, fair value of financial derivatives in connection with borrowed monies recognised by the Company in its audited consolidated financial statements and other contingent liabilities of the Company calculated in accordance with the applicable accounting standards; but excluding any inter-company loans which are subordinated to the Sukuk, to the equity of the Group including, if any, preference equity, subordinated shareholders' advances/loans and retained earnings or accumulated losses less goodwill (if any).

The D:E Ratio shall be calculated on a yearly and half yearly basis and as and when such calculations are required to be made under the terms of the transaction documents during the tenure of the Sukuk Programmes. In the case of D:E Ratio calculated on a yearly basis, such calculations shall be based on the latest audited consolidated financial statements of the Company and in the case of D:E Ratio calculated at any other times, the calculations shall be based on the latest consolidated management accounts of the Company.

(c) Senior Term Facility

ISG has signed a facility agreement on 21 December 2014 with three financial institutions which provided a total credit line of EUR500,000,000, equivalent to RM2,125,000,000 to refinance the Project Loan, Subordinated Loan, Trigen Loan, Term Loan and all subordinated shareholder loans and payables.

According to the facility agreement, the re-pricing dates for the Senior Term Loan are set semi-annually. However, the first re-pricing date has been agreed to be on a monthly basis until the Mandated Banks syndicate the Senior Project Loan in the first half of 2015.

The Senior Term Loan has been syndicated on 26 March 2015 and the margin on the loan has been reduced from 2.75% to 2.50%.

ISG is required to fund a minimum Debt Service Reserve Account (DSRA) corresponding to the interest payable in the next interest period amounting to EUR6,585,000 equivalent to RM30,225,000 (2018: EUR6,585,000, equivalent to RM31,147,000).

Notes to the Financial Statements (cont'd.)

31 December 2019

30. BORROWINGS (CONT'D.)**(c) Senior Term Facility (cont'd.)**

As of 23 June 2017, ISG has signed an amendment and restatement agreement relating to the facility agreement dated 21 December 2014. With the new agreement, repayment schedule has been revised and there has been extension of facility maturity by two years. In addition, the financial covenants of the current Senior Term Loan beginning from 30 June 2017, have been changed as below.

The financial covenants of the current Senior Term Loan are as follows:

Historic debt service coverage ratio	Minimum of 1.05:1.00 (December 2018 - 1.05:1.00)
Loan life cover ratio	Minimum of 1.05:1.00 (December 2018 - 1.05:1.00)

In addition, 80% of the shares, MAMSC and MA Cities shares, are pledged for the benefit of the Senior Term Loan creditors and MAHB has provided a 100% Corporate Guarantee for the Senior Term Loan.

ISG has, as security for fulfilment of its obligations to the financial institutions, assigned all of its present and future receivables, rights, incomes, claims, interests and benefits in, to and under its receivables, as well as any and all kinds of receivables arising out of or in connection with other agreements that ISG has entered into, as well as ISG's VAT refunds, to the security agent of the agreement.

These Senior Term Facility with total face value of EUR500,000,000, equivalent to RM2,295,000,000 are secured. The remaining balances of the Senior Term Facility are as follows:

Coupon rate	EUR'000	RM'000	Issue date	Maturity amount (RM'000)	Maturity date
Euribor + 2.5% p.a.	399,288*	1,832,733	24.12.2014	113,588	26.06.2020
				133,424	29.12.2020
				173,285	28.06.2021
				233,379	24.12.2021
				269,961	24.06.2022
				262,721	24.12.2022
				296,781	24.06.2023
				349,594	24.12.2023
				<u>1,832,733</u>	

* The proceeds received is after netting off the transaction cost.

Other information on financial risks of borrowings are disclosed in Note 39.

Notes to the Financial Statements (cont'd.)

31 December 2019

31. PERPETUAL SUKUK

	Group and Company	
	2019	2018
	RM'000	RM'000
Nominal value	997,842	997,842

On 15 December 2014, the Group completed the issuance of RM1,000,000,000 Perpetual Subordinated Sukuk pursuant to the Perpetual Subordinated Sukuk Programme. The Perpetual Subordinated Sukuk is structured as a Perpetual Sukuk and accounted as equity.

The salient features of the Perpetual Sukuk are as follows:

- (a) The Perpetual Sukuk is issued under the Islamic Principle of Musharakah;
- (b) The Perpetual Sukuk is a perpetual non-call ten (10) - year with no fixed tenure and carries a fixed initial periodic distribution rate of 5.75% (per annum, payable semi-annually) up to the 10th year anniversary of the issue date, after which and for every 10 year onward the periodic distribution rate will be reset. The periodic distribution rate will be reset to the prevailing 10 – year MGS benchmark rate plus 1.867% (Initial Spread) plus 1.00% step up rate. As at 31 December 2019, a periodic distribution for Perpetual Sukuk was paid amounting to RM57,342,000 (2018: RM57,815,000);
- (c) Deferred periodic distribution, if any, will be cumulative and accrued at the prevailing periodic distribution rate. MAHB, at its discretion, has the option to defer the periodic distribution in perpetuity;
- (d) The Perpetual Sukuk has no fixed redemption date;
- (e) MAHB has the option to redeem the Perpetual Sukuk in whole under the following circumstances:
 - i) Option of issuer – at the option of MAHB on each Call Date;
 - ii) Tax reasons – if MAHB is obliged to pay additional amount due to change in tax laws or regulations in Malaysia;
 - iii) Rating Event – if there is change in equity credit criteria, guidelines or methodology of rating agency which results in lower equity credit of the Perpetual Sukuk;
 - iv) Accounting reasons – if there is change in accounting standards which results in the Perpetual Sukuk no longer be classified as equity;
 - v) Tax deductibility – if there is change in tax laws or regulations in Malaysia which results in the periodic distribution amount no longer eligible for full tax deductibility under corporate income tax;
 - vi) Minimal outstanding amount – if the outstanding Perpetual Sukuk is less than 10% of the nominal value originally issued;
 - vii) Change of control – if the GoM ceases to hold the Special Share issued by MAHB; and
 - viii) Revocation of license – if the licenses issued by Minister of Transport to MAHB Group is being revoked/terminated which results in the cessation of MAHB operations for a period more than 30 consecutive days.

Notes to the Financial Statements (cont'd.)

31 December 2019

31. PERPETUAL SUKUK (CONT'D.)

The salient features of the Perpetual Sukuk are as follows: (cont'd.)

- (f) Payment obligations on the Perpetual Sukuk will at all times, rank in priority to other share capital instruments for the time being outstanding, but junior to the claims of present and future creditors of MAHB (other than obligations ranking pari passu with the Perpetual Sukuk);
- (g) The Perpetual Sukuk is rated AA2 by RAM; and
- (h) The Perpetual Sukuk is unsecured.

32. DERIVATIVE FINANCIAL INSTRUMENTS

Two derivative contracts have been signed between two foreign banks and ISG with starting dates of 26 June 2015 and 29 December 2015 respectively.

ISG uses interest rate derivatives to manage its exposure to interest rate fluctuations in regards to funds utilised from the project finance facility. According to the swap transactions (pay fixed, receive float), the notional amounts differ at each period, as in the borrowing agreement of ISG, until 26 December 2021.

Amendment of interest rate swap with BNP Paribas which covers 50% of outstanding loan amount has been completed by rescheduling cash flow structure of swap in line with the loan and four period zero floor protection has been set as of 23 June 2017. The details are provided below:

Due date of transaction

	IRS Swap Contract - I		IRS Swap Contract - II	
	Notional amounts (RM'000)	Fixed Euribor (%)	Notional amounts (RM'000)	Fixed Euribor (%)
26 June 2020	642,600	1.3025	929,475	1.1800
29 December 2020	493,425	1.3025	883,575	1.1800
28 June 2021	344,250	1.3025	826,200	1.1800
24 December 2021	183,600	1.3025	745,875	1.1800
24 June 2022	-	-	631,125	1.1800
26 December 2022	-	-	493,425	1.1800
26 June 2023	-	-	355,725	1.1800
26 December 2023	-	-	195,075	1.1800

Notes to the Financial Statements (cont'd.)

31 December 2019

32. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

As of 31 December 2019, fair value of the above mentioned contracts are EUR10,906,000, equivalent to RM50,059,000 (2018: EUR12,071,000, equivalent to RM57,097,000). Fair value of cash outflows with respect to the derivative that fall within one year from the financial position date, amounting to EUR3,529,000, equivalent to RM16,198,000 (2018: EUR1,585,000, equivalent to RM7,497,000) is classified under current liabilities whereas the remaining amount of EUR7,377,000, equivalent to RM33,861,000 (2018: EUR10,486,000, equivalent to RM49,600,000) is classified under non-current liabilities.

The unrealised (gain)/loss on interest rate swaps that is recognised in the consolidated statement of comprehensive income as at 31 December 2019 is as follows:

	Group	
	2019	2018
	RM'000	RM'000
Recognised in other comprehensive income	(6,871)	(3,689)
Recognised in profit or loss	1,486	12,846
Foreign currency translation	(126)	(49)
	(5,511)	9,108

33. LEASE LIABILITIES

	Airport equipment	Office equipment	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000
Group				
At 1 January 2019	142,971	365	15,710	159,046
Additions	-	-	7,112	7,112
Accretion of interest (Note 6)	9,268	12	485	9,765
Payments	(32,702)	(109)	(9,874)	(42,685)
Foreign currency translation	(402)	-	-	(402)
At 31 December 2019	119,135	268	13,433	132,836
Analysed as:				
Current	27,434	95	9,721	37,250
Non-current	91,701	173	3,712	95,586

Notes to the Financial Statements (cont'd.)

31 December 2019

33. LEASE LIABILITIES (CONT'D.)

	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Company			
At 1 January 2019	116	719	835
Additions	-	304	304
Accretion of interest (Note 6)	5	24	29
Payments	(30)	(544)	(574)
At 31 December 2019	91	503	594
Analysed as:			
Current	25	369	394
Non-current	66	134	200

The following are the amounts recognised in profit or loss:

	Group 2019 RM'000	Company 2019 RM'000
Depreciation expense of right-of-use assets	35,798	558
Interest expense on lease liabilities	9,765	29
Expense relating to short-term leases (include cost of sales)	10,077	1,586
Expenses relating to leases of low-value assets	16,987	3,763
	72,627	5,936

Notes to the Financial Statements (cont'd.)

31 December 2019

34. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current				
Trade payables				
Third parties	329,037	314,363	-	-
Utilisation Fee Liability (Note 34(e))	525,371	542,488	-	-
	854,408	856,851	-	-
Other payables				
Amounts due to subsidiaries	-	-	53,121	108,172
Accruals	211,679	215,014	26,234	45,663
Provisions for liabilities	30,103	25,140	4,285	5,335
Sundry payables	685,633	617,460	122,559	158,946
Deferred income (Note 34(c))	31,306	23,496	3,016	-
Distribution to Perpetual Sukuk holder	2,414	2,257	2,414	2,257
Deposits received	122,107	120,694	10,768	15,672
Contract liabilities	2,775	20,544	-	-
Concession liabilities (Note 34(d))	16,368	15,494	-	-
	1,102,385	1,040,099	222,397	336,045
	1,956,793	1,896,950	222,397	336,045
Non-current				
Trade payables				
Third parties	151,450	150,340	-	-
Utilisation Fee Liability (Note 34(e))	4,070,914	4,303,858	-	-
	4,222,364	4,454,198	-	-
Other payables				
Sundry payables	3,234	2,414	-	-
Deferred income (Note 34(c))	214,150	235,235	-	-
Contract liabilities	29,663	11,622	-	-
Retirement benefit obligations	9,871	7,194	-	-
Concession liabilities (Note 34(d))	372,528	388,896	-	-
	629,446	645,361	-	-
	4,851,810	5,099,559	-	-

Notes to the Financial Statements (cont'd.)

31 December 2019

34. TRADE AND OTHER PAYABLES (CONT'D.)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Total trade and other payables (current and non-current)	6,808,603	6,996,509	222,397	336,045
Add: Borrowings (Note 30)	4,932,733	5,143,286	3,100,000	3,100,000
Less: Provisions for liabilities	(30,103)	(25,140)	(4,285)	(5,335)
Deferred income	(245,456)	(258,731)	(3,016)	-
Total financial liabilities carried at amortised cost	11,465,777	11,855,924	3,315,096	3,430,710

Contract liabilities

Set out below is the movement in the contract liabilities:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Other payables				
At 1 January	32,166	15,254	-	-
Movement	272	16,912	-	-
At 31 December	32,438	32,166	-	-

Movement of provisions for liabilities during the year is as follows:

	Short-term accumulating compensated absences	Assessment fees	Total
	RM'000	RM'000	RM'000
Group			
At 31 December 2019			
At 1 January 2019	23,073	2,067	25,140
Additional provision during the year	-	13,747	13,747
Writeback of provision during the year	(3,574)	(103)	(3,677)
Utilised during the year	(86)	(5,021)	(5,107)
At 31 December 2019	19,413	10,690	30,103

Notes to the Financial Statements (cont'd.)

31 December 2019

34. TRADE AND OTHER PAYABLES (CONT'D.)

Movement of provisions for liabilities during the year is as follows: (cont'd.)

	Short-term accumulating compensated absences RM'000	Assessment fees RM'000	Total RM'000
Group (cont'd.)			
At 31 December 2018			
At 1 January 2018	24,976	1,459	26,435
Additional provision during the year	159	4,698	4,857
Writeback of provision during the year	(1,900)	-	(1,900)
Utilised during the year	(162)	(4,090)	(4,252)
At 31 December 2018	23,073	2,067	25,140

	Short-term accumulating compensated absences	
	2019 RM'000	2018 RM'000
Company		
At 1 January	5,335	6,284
Writeback of provision during the year	(1,050)	(897)
Utilised during the year	-	(52)
At 31 December	4,285	5,335

Movement of retirement benefit obligations during the year is as follows:

	Retirement benefit obligations	
	2019 RM'000	2018 RM'000
Group		
At 1 January	7,194	3,868
Recognised in the statement of profit or loss	1,475	678
Utilised during the year	(1,636)	(201)
Actuarial loss	3,103	2,812
Foreign currency translation	(265)	37
At 31 December	9,871	7,194

Notes to the Financial Statements (cont'd.)

31 December 2019

34. TRADE AND OTHER PAYABLES (CONT'D.)

The foreign subsidiary companies maintained separate unfunded retirement plans for its eligible employees in accordance with the respective countries' Labour Law.

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 (2018: 30 to 90) days.

(b) Amounts due to subsidiaries

Amounts due to subsidiaries are non-interest bearing and are repayable on demand. The amounts are unsecured and are to be settled in cash.

(c) Deferred income

Deferred income are analysed as follows:

	Group	
	2019	2018
	RM'000	RM'000
Analysed as:		
Current	31,306	23,496
Non-current:		
Later than 1 year but not later than 2 years	23,942	22,985
Later than 2 years but not later than 5 years	65,681	65,627
Later than 5 years	124,527	146,623
	214,150	235,235
	245,456	258,731

Deferred income are in respect of deferred lease rental from commercial activities.

Notes to the Financial Statements (cont'd.)

31 December 2019

34. TRADE AND OTHER PAYABLES (CONT'D.)

(d) Concession liabilities

Concession liabilities are in respect of the following:

- (i) Lease rental payable to the GoM for all airports managed by the Group; and
- (ii) Privatisation of the Development of a Generation Plant at klia2.

(ii) above relates to Airport Facility Arrangements (AFA), where the arrangement with service providers in supplying chilled water utility contains a lease arrangement and the fulfilment of the arrangement is dependent on a specified asset pursuant to an Operating Agreement upon the adoption of IC 12.

Concession liabilities are analysed as follows:

	Group			
	Lease rental payable to GoM		Airport Facility Arrangements (AFA)	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Analysed as:				
Current	330	312	16,038	15,182
Non-current:				
Later than 1 year but not later than 2 years	350	330	16,943	16,038
Later than 2 years but not later than 5 years	1,182	1,115	56,781	53,749
Later than 5 years	88,437	88,854	208,835	228,810
	89,969	90,299	282,559	298,597
Total minimum lease payment	90,299	90,611	298,597	313,779

Notes to the Financial Statements (cont'd.)

31 December 2019

34. TRADE AND OTHER PAYABLES (CONT'D.)

(d) Concession liabilities (cont'd.)

	Group	
	2019	2018
	RM'000	RM'000
Current	16,368	15,494
Non-current	372,528	388,896
Total concession liabilities	388,896	404,390

The AFA obligation is arrived at after discounting the future estimated finance charge of RM120,862,000 (2018: RM137,741,000).

The lease rental payable to GoM for the extended period of Operating Agreements as disclosed in Note 1.2(f) has been accounted for in concession liabilities.

Other information on financial risks of other payables are disclosed in Note 39.

(e) Utilisation Fee Liability

The Utilisation Fee Liability represents the present value of amounts payable to the Administration in accordance with the Implementation Agreement for the operation of the ISGIA for 20 years plus 22 months of extension period, being the first extension period. In the previous years, ISG has obtained second extension period of 2.5 years after the first extension. The Utilisation Fee Liability is discounted to present value, at a rate of 10.3%.

	Group	
	2019	2018
	RM'000	RM'000
Analysed as:		
Current	525,371	542,488
Non-current:		
Later than 1 year but not later than 2 years	475,549	485,950
Later than 2 years but not later than 5 years	1,309,162	1,282,980
Later than 5 years	2,286,203	2,534,928
	4,070,914	4,303,858
	4,596,285	4,846,346

Notes to the Financial Statements (cont'd.)

31 December 2019

35. COMMITMENTS

	Not later than 1 year RM'000	Later than 1 year but not later than 5 years RM'000	Total RM'000
Group			
31 December 2019			
(i) Approved and contracted for:			
Capital expenditure	326,320	-	326,320
(ii) Approved but not contracted for:			
Capital expenditure	1,744,045	-	1,744,045
(iii) Other investment:			
Investment in MFMA ^(a)	45,000	-	45,000
	2,115,365	-	2,115,365
31 December 2018			
(i) Approved but not contracted for:			
Capital expenditure	1,394,363	-	1,394,363
(ii) Other investment:			
Investment in MFMA ^(a)	45,000	-	45,000
	1,439,363	-	1,439,363
Company			
31 December 2019			
(i) Approved and contracted for:			
Capital expenditure	7,553	-	7,553
(ii) Approved but not contracted for:			
Capital expenditure	110,085	-	110,085
	117,638	-	117,638
31 December 2018			
Approved but not contracted for:			
Capital expenditure	91,285	-	91,285

Notes to the Financial Statements (cont'd.)

31 December 2019

35. COMMITMENTS (CONT'D.)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Analysed as:				
Not later than 1 year	2,115,365	1,439,363	117,638	91,285

- (a) MFMA had on 10 November 2014 entered into a loan facility agreement for amounts up to USD60,000,000, equivalent to RM257,400,000 with Sumitomo Mitsui Banking Corporation Labuan Branch and Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad (collectively known as Lenders) to fund the development of Mitsui Outlet Park KLIA. The loan facility is structured into two facilities namely Facility A and Facility B as per MFMA shareholdings between Mitsui Fudosan Co. Ltd. (Mitsui) (70%) and MAHB (30%), with the loan amount of USD42,000,000, equivalent to RM180,180,000 and USD18,000,000, equivalent to RM77,220,000, respectively for Facility A and Facility B.

In order to facilitate the loan financing arrangement, an Equity Contribution Agreement (ECA) dated 10 November 2014 was entered between MAHB, MA (Sepang), Mitsui, MFMA and the Lenders.

Under the ECA, Mitsui is to provide a corporate guarantee to the Lenders to repay all the outstanding aggregate principal amount of the loans under the Facility A in the event of default by MFMA. However for Facility B, MAHB and MA (Sepang) shall make to MFMA an additional capital injection or a shareholder loan (as the case may be) of an amount equal to the outstanding aggregate principal amount of the loans under the Facility B, upon Capital Acceleration Event.

On 17 November 2014, MFMA has drawdown USD43,600,000, equivalent to RM145,428,000, out of the total loan facility of USD60,000,000, equivalent to RM257,400,000. On 15 September 2017, MFMA has further drawdown USD2,340,000, equivalent to RM9,840,000. On 16 November 2017, the loan has been extended for an additional six months to 14 May 2018. On 14 May 2018, the loan has been refinanced into a MYR denominated loan. Total outstanding loan amount as at 31 December 2019 is RM150,000,000. The commitments by MAHB are in respect of the Facility B amounting to RM45,000,000 (2018: RM45,000,000).

Notes to the Financial Statements (cont'd.)

31 December 2019

36. FINANCIAL GUARANTEES AND CONTINGENCIES

(a) Guarantees

- (i) ISG has given five (2018: five) letters of guarantee to the Administration (representing 6% of the total amount payable to the Administration for the right to operate the Facility as set out in the Implementation Agreement) as follows:

	2019		2018	
	EUR'000	RM'000	EUR'000	RM'000
Guarantee Letter 1	67,716	310,816	74,602	352,867
Guarantee Letter 2	13,009	59,711	13,009	61,533
Guarantee Letter 3	1,629	7,477	1,629	7,705
Guarantee Letter 4	20,118	92,342	20,118	95,158
Guarantee Letter 5	315	1,446	315	1,490

- (ii) ISG has given 11 letters of guarantee to Tax Authority in Turkey for Value Added Tax (VAT) refund amounting to EUR1,198,000, equivalent to RM5,499,000 (2018: EUR1,131,000, equivalent to RM5,350,000).
- (iii) As of 31 December 2019, LGM has given a letter of guarantee to Havaalani Isletme ve Havacilik Endustrileri A.S. (HEAS) amounting to EUR447,000, equivalent to RM2,052,000 (2018: EUR436,000, equivalent to RM2,062,000) for the rental of the hangar operations.
- (iv) MACS has provided the following guarantees for customers of MACS ME:
- (a) Performance Bank Guarantee totalling to QAR35,361,000, equivalent to RM39,604,000 (2018: QAR35,361,000, equivalent to RM40,312,000).
- (b) Parent Company Guarantee (PCG) to guarantee the performance of obligations and liabilities of MACS ME under contract for Facility Management Services for Airport Operational Facilities and Ancillary Buildings.

The Group has assessed the guarantee contracts and concluded that the guarantees are more likely not to be called upon and accordingly not recognised as financial liability as at 31 December 2019.

(b) Contingent liabilities

- (i) Tax Authorities of Turkey has requested ISG to revise the Value Added Tax (VAT) refund requests and apply a different methodology for the periods from 1 July 2012 to 30 September 2014. ISG has submitted the revised refund request and filed the court case contesting the claim arising out of the revised refund request as the management of ISG is of the opinion that the initial refund request for the said period is valid. The Court decided that the tax office cannot reject ISG's calculation without conducting a tax investigation therefore the litigations are concluded in favour of ISG and ISG collected the missing VAT refund amounts. The tax office took a further action at Supreme Court level and in the meantime carried out comprehensive VAT audits for ISG in year 2016 and 2017 covering periods from 2012-2014.

Notes to the Financial Statements (cont'd.)

31 December 2019

36. FINANCIAL GUARANTEES AND CONTINGENCIES (CONT'D.)

(b) Contingent liabilities (cont'd.)

- (i) The tax auditors claimed a principal of TL7,100,000, equivalent to EUR1,122,000 or RM5,149,000, late payment interest of TL5,500,000, equivalent to EUR869,000 or RM3,989,000 and tax penalties of TL10,700,000, equivalent to EUR1,691,000 or RM7,760,000 for that tax issue mentioned above. ISG has booked a provision of late payment interest TL5,500,000, equivalent to EUR869,000 or RM3,989,000 in statement of profit or loss for the year 2017.

ISG applied to Tax Authority for settlement of the tax penalty. However, the Tax Authority postponed the ISG's settlement date and informed ISG to wait for the Tax Amnesty Law which was enacted and published in the Official Gazette on 18 May 2018.

ISG applied for Tax Amnesty on 26 July 2018 and received the confirmation for the application from Tax Authority on 9 August 2018. On 17 September 2018, ISG paid TL3,500,000, equivalent to EUR553,000 or RM2,538,000 which is half of the principal amount (TL7,100,000, equivalent to EUR1,122,000 or RM5,149,000) and increased VAT receivables carried forward and paid an additional TL99,700, equivalent to EUR16,000 or RM72,000 for the late payment interest. The tax penalty has been waived by the Tax Authority and ISG has reversed the provision amounting to EUR1,341,000, equivalent to RM6,155,000 million in 2018.

The Supreme Court rendered a decision of reversal on 13 December 2018 stating that the VAT should not be refunded in accordance with the related regulations. Subsequently, ISG appealed to the Supreme Court with the request of revision of the reversed judgement based on a ruling of Constitutional Court dated 27 February 2019. The final decision from the Supreme Court is still pending. If the Supreme Court's ruling will be against ISG, ISG may have to pay the original tax base amount together with interest although benefited from the Tax Amnesty. If such a case will occurs in the future ISG may have to pay the original tax amount of TL7,100,000, equivalent to EUR1,122,000 or RM5,149,000 plus interest and apply for the deduction of the TL3,600,000, equivalent to EUR569,000 or RM2,611,000 tax amnesty payment from the total payable amount.

The TL7,100,000, equivalent to EUR1,122,000 or RM5,149,000 tax base amount will be added to the VAT receivables in the statement of financial position that will be carried forward and recovered in the following years.

In addition to that, on 23 December 2016, a Special Consumption Tax (SCT) audit has been started for the periods 2011, 2012, 2013 against ISG about jet fuel sales. ISG is not a SCT payer since jet fuel is exempted from SCT. ISG has experienced cases of jet fuel theft in 2012 and was challenged by the tax authorities that stolen jet fuel shall be regarded as a SCT base fuel. As a result of that, Special Consumption Tax exposure inclusive of tax base charge, late payment interest charges and tax penalties amount to TL700,000, equivalent to EUR111,000 or RM508,000 has been booked as a provision in the ISG's accounts in statement of profit or loss for the year 2017. ISG applied to tax court on 9 January 2018 and won the court case on June 2018 therefore the provision was reversed in the current year financial statements. Tax Office has appealed to the next level court however it is also rejected by the court on January 2019. Tax Office appealed to the Supreme Court on 28 January 2019 and the process is still ongoing.

Notes to the Financial Statements (cont'd.)

31 December 2019

36. FINANCIAL GUARANTEES AND CONTINGENCIES (CONT'D.)

(b) Contingent liabilities (cont'd.)

- (ii) On 20 August 2015, Malaysia Airports (Properties) Sdn. Bhd. (MAP) received a Notice of Arbitration from Kuala Lumpur Aviation Fuelling System Sdn. Bhd. (KAF) in respect of the alleged losses and damages in the sum of RM28,277,000 pertaining to among others, design changes under AFA dated 26 September 2007. Both parties have appointed an arbitrator. The hearing session for the arbitration has been conducted from 2 to 6 October 2017 and the parties had filed their respective closing submission by 8 December 2017. The oral hearing of parties' submission was conducted on 22 January 2018.

On 25 September 2018, MAP had received the award from the Arbitral Tribunal which is in favour of KAF. The award is only in respect of liability and the quantum will be decided by the Arbitral Tribunal in a separate proceeding at a later stage, subject to KAF providing further documents to substantiate the amount claimed. Accordingly RM21,657,000 has been recognised as a provision, subject to final Arbitral Tribunal decision.

On 5 December 2019, KAF had submitted further documents to substantiate the amount claimed.

- (iii) On 26 February 2016, MAP received a Notice of Arbitration from KAF in respect of the alleged losses and damages in the estimated claim amount of RM456,000,000 pertaining to inter alia, the changes of the concession period under the AFA dated 26 September 2007. MAP has obtained a preliminary view from its solicitors who consider that MAP has a reasonably good prospect of defending the claims as MAP has complied with all the terms and conditions under the AFA. On 13 February 2017, MAP has informed KAF on the Operating Agreements' extension as disclosed in Note 1.2(f) and requested KAF to withdraw the arbitration notice.

However, KAF refused to withdraw the arbitration notice and grants MAP an extension until 30 May 2017 to facilitate further negotiations on the matter. MAP had requested from KAF for further extension to 30 December 2017.

On 9 August 2017, KAF agreed to withhold the arbitration proceedings until 30 June 2018 pending the negotiations between MAHB and the Government. MAP has sent a letter to request for an extension of time to KAF to withhold proceedings until 31 December 2019. KAF has agreed with MAP's request to withhold the commencement of the arbitration proceeding against MAP until 31 December 2019 to facilitate the negotiation on the Operating Agreements between MAHB and Government.

Subsequently, MAP via a letter dated 27 December 2019, requested for a further extension till end of June 2020 to facilitate the negotiation on the Operating Agreements between MAHB and Government.

- (iv) Syarikat Pembinaan Anggerik Sdn. Bhd. (SPASB) via a Writ of Summons claims from MAHB for the sum of RM44,000,000 for damages and other claims and interest in respect of the alleged losses and damages pertaining to the works carried out by SPASB for the 'Proposed Development and Upgrading Works at Penang International Airport, Bayan Lepas, Pulau Pinang' and the 'Proposed Construction and Completion of Site Office, Central Utilities Building and Airside Drainage Works at Penang International Airport'.

Notes to the Financial Statements (cont'd.)

31 December 2019

36. FINANCIAL GUARANTEES AND CONTINGENCIES (CONT'D.)

(b) Contingent liabilities (cont'd.)

- (iv) MAHB has filed an application for stay of proceedings in light of the arbitration provisions in the contract and on 23 August 2017, the court had allowed MAHB's 'Stay Application' with cost of RM10,000 to be paid by SPASB to MAHB.

On 21 September 2017, SPASB filed its Notice of Appeal in respect of the court's decision on the 'Stay Application'. The Court of Appeal however had allowed SPASB's appeal with costs on 30 March 2018.

In furtherance to the Court of Appeal's decision, MAHB had filed the 'Application for Leave to Appeal' (Application) at the Federal Court on 27 April 2018. Such Application nonetheless was dismissed by the Federal Court on 1 August 2018 and therefore SPASB's claim against MAHB shall be heard in the High Court instead of arbitration.

On 9 August 2018, SPASB had filed its Amended Statement of Claim (Amended SOC). In the Amended SOC, SPASB had raised its claim to RM59,853,000. MAHB had later filed its Statement of Defence on 21 September 2018 and SPASB filed its reply to MAHB's Statement of Defence on 10 October 2018.

During the Case Management on 8 July 2019, the Court maintained the previously arranged trial dates on 11 to 15 November 2019. The Court further directed both parties to exchange witness statements.

On 12 July 2019, SPASB had increased its amount of claim from RM59,853,000 to RM66,834,000. Subsequently, on 31 July 2019 MAHB has filed its Amended Statement of Defence and Counterclaim. The amount claimed is not expected to have any material impact on the financial statements of the Group since its subject to strict proof at the full trial. The next Case Management has been set on 6 July 2020. The trial dates have been set on 10 to 14 August 2020.

- (v) On 21 March 2019, MA (Sepang) has received notice of Arbitration from SASB for the alleged losses and damages pertaining to the delay in commencement of operations of klia2 Integrated Complex. This notice is amounting to RM70,000,000 in respect of the alleged losses and damages pertaining to inter alia, the delay in the commencement of the commercial operation of the klia2 Integrated Complex. As up to date, a pre hearing conference is tentatively fixed on 3 November 2020 and hearing is fixed on 17 to 20, 23 to 27 and 30 November 2020. The solicitors and internal legal department are of the view that MA (Sepang) has a fair prospect of success in defending the amount claimed.

Notes to the Financial Statements (cont'd.)

31 December 2019

37. RELATED PARTY DISCLOSURES

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2019	2018
	RM'000	RM'000
Related party balances		
Amounts owing by associated companies	881	30
Amounts owing to joint ventures	6,448	-
Related party transactions		
Revenue:		
<u>Associates:</u>		
Lease rental		
- Kuala Lumpur Aviation Fuelling System Sdn. Bhd.	6,219	6,120
- MFMA Development Sdn. Bhd.	4,150	4,029
- Cainiao KLIA Aeropolis Sdn. Bhd.	2,322	1,540
Concession fee		
- MFMA Development Sdn. Bhd.	568	568
Recoupment of water, electricity & sewerage		
- MFMA Development Sdn. Bhd.	10,037	5,792
<u>Joint ventures:</u>		
Lease rental		
- Segi Astana Sdn. Bhd.	1,273	1,273
- Airport Cooling Energy Supply Sdn. Bhd.	888	888
Expenses:		
<u>Joint ventures:</u>		
Airport Cooling Energy Supply Sdn. Bhd.		
- Utilities (fixed)	32,124	32,124
- Utilities (variable)	14,070	14,555
- Less: Rebate	(3,397)	(4,961)
- Interest on concession payable	21,361	21,361

Notes to the Financial Statements (cont'd.)

31 December 2019

37. RELATED PARTY DISCLOSURES (CONT'D.)

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year: (cont'd.)

	Group	
	2019	2018
	RM'000	RM'000
Related party transactions (cont'd.)		
Other transactions:		
<u>Joint ventures:</u>		
Airport Cooling Energy Supply Sdn. Bhd.		
- Payment on concession payable	10,699	10,699
<u>Other related party:</u>		
Korn Ferry International (M) Sdn. Bhd.		
- Professional fees	-	268

	Company	
	2019	2018
	RM'000	RM'000
<u>Subsidiaries:</u>		
Malaysia Airports (Sepang) Sdn. Bhd.		
- Utilities charges	2,862	1,084
MAB Agriculture-Horticulture Sdn. Bhd.		
- Landscape services	403	393
Malaysia Airports (Niaga) Sdn. Bhd.		
- Catering services	1,299	841
K.L Airport Hotel Sdn. Bhd.		
- Event management	4,143	2,149
Urusan Teknologi Wawasan Sdn. Bhd.		
- Repair and maintenance of building	1,740	643
Malaysia Airports Consultancy Services Sdn. Bhd.		
- Consultancy service from subsidiary	7	84

Compensation of key management personnel

Key management personnel is defined to include Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Senior General Managers and General Managers.

Notes to the Financial Statements (cont'd.)

31 December 2019

37. RELATED PARTY DISCLOSURES (CONT'D.)

Compensation of key management personnel (cont'd.)

The remuneration of other members of key management during the year was as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	22,374	19,454	18,305	16,343
Post-employment benefits:				
Defined contribution plans	3,276	2,887	2,762	2,483
Benefits-in-kind	578	530	478	430
	26,228	22,871	21,545	19,256

Remuneration of directors is as disclosed in Note 8.

38. SIGNIFICANT EVENT DURING THE YEAR

On 4 October 2019, AirAsia Berhad and AirAsia X Berhad had served a Writ of Summons on MA (Sepang) claiming special damages amounting to RM479,781,000 for loss and damage occasioned by reason of the negligence on the part of MA (Sepang), its servants or agents in the management, operation, maintenance or provision of airport services and facilities at klia2.

MA (Sepang) has filled an application to strike out the Writ of Summons and the Court has been fixed on 26 March 2020 for decision on the striking out application.

39. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, liquidity risk and credit risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Notes to the Financial Statements (cont'd.)

31 December 2019

39. FINANCIAL INSTRUMENTS (CONT'D.)**(b) Interest rate risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short-term in nature and have been mostly placed in fixed deposits.

The Group has minimal exposure to interest rate risk at the reporting date. The following table sets out the carrying amounts, the weighted average effective interest rates (WAEIR) as at the reporting date and the remaining maturities of the Group's and of the Company's financial instruments that are exposed to interest rate risk:

	Note	WAEIR %	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000	Total RM'000
At 31 December 2019							
Group							
Borrowings	30	3.68	1,247,012	1,906,664	1,779,057	-	4,932,733
Cash and cash equivalents	26	0.45	1,166,575	-	-	-	1,166,575
Company							
Borrowings	30	4.53	1,000,000	1,500,000	600,000	-	3,100,000
Cash and cash equivalents	26	2.80	13,609	-	-	-	13,609
At 31 December 2018							
Group							
Borrowings	30	3.76	212,357	1,246,801	3,084,128	600,000	5,143,286
Cash and cash equivalents	26	2.61	1,037,801	-	-	-	1,037,801
Company							
Borrowings	30	4.54	-	1,000,000	1,500,000	600,000	3,100,000
Cash and cash equivalents	26	3.05	13,289	-	-	-	13,289

The average maturity of financial instruments at the reporting date is 48 days (2018: 36 days). The other financial instruments of the Group and of the Company that are not included in the above tables are not subject to interest rate risks.

Notes to the Financial Statements (cont'd.)

31 December 2019

39. FINANCIAL INSTRUMENTS (CONT'D.)

(c) Foreign currency risk

Other than the Group's investments in foreign associates and foreign subsidiaries, the Group is exposed to transactional currency risk, mainly arising from the United States Dollar, Great Britain Pound, Euro, Singapore Dollar, Switzerland Swiss Franc, China RMB, Hong Kong Dollar, Qatar Riyal, Australian Dollar, Indian Rupee, Canadian Dollar and United Arab Emirates Dirham. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to a manageable level and short-term imbalances are addressed by buying and selling foreign currencies at spot rate.

The net unhedged financial assets and financial liabilities of the Group and the Company that are not denominated in their functional currencies are as follows:

	Net financial assets/(liabilities) held in non-functional currencies			
	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
USD	26,816	21,713	4,816	2,895
GBP	3,392	(3,544)	3,748	(3,582)
EUR	1,382	(118)	1,577	72
SGD	4,222	5,171	693	152
CHF	314	(375)	-	-
RMB	-	11	-	11
HKD	46	66,863	46	66,863
QAR	18,364	18,246	-	-
AUD	461	777	-	312
INR	-	152	-	150
CAD	211	(87)	89	-
AED	(4)	-	6	-
Total	55,204	108,809	10,975	66,873

Notes to the Financial Statements (cont'd.)

31 December 2019

39. FINANCIAL INSTRUMENTS (CONT'D.)

(c) Foreign currency risk (cont'd.)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD, GBP, EUR, SGD, CHF, RMB, HKD, QAR, AUD, INR, CAD and AED exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group	Company
		2019	2019
		Profit net of tax	Profit net of tax
		RM'000	RM'000
USD/RM	- strengthened 5%	1,340	241
	- weakened 5%	(1,340)	(241)
GBP/RM	- strengthened 5%	170	187
	- weakened 5%	(170)	(187)
EUR/RM	- strengthened 5%	69	79
	- weakened 5%	(69)	(79)
SGD/RM	- strengthened 5%	212	35
	- weakened 5%	(212)	(35)
CHF/RM	- strengthened 5%	16	-
	- weakened 5%	(16)	-
HKD/RM	- strengthened 5%	2	2
	- weakened 5%	(2)	(2)
QAR/RM	- strengthened 5%	918	-
	- weakened 5%	(918)	-
AUD/RM	- strengthened 5%	23	-
	- weakened 5%	(23)	-
CAD/RM	- strengthened 5%	11	5
	- weakened 5%	(11)	(5)
AED/RM	- strengthened 5%	-	1
	- weakened 5%	-	(1)

Notes to the Financial Statements (cont'd.)

31 December 2019

39. FINANCIAL INSTRUMENTS (CONT'D.)

(d) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

Analysis of financial instrument by remaining contractual maturities

Below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date on contractual undiscounted repayment obligations.

	On demand within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
31 December 2019				
Financial liabilities:				
Trade and other payables	1,896,818	3,079,099	3,341,021	8,316,938
Borrowings	1,750,832	3,038,890	-	4,789,722
Lease liabilities	40,285	121,027	-	161,312
Total undiscounted financial liabilities	3,687,935	6,239,016	3,341,021	13,267,972
31 December 2018				
Financial liabilities:				
Trade and other payables	1,848,698	3,047,646	4,087,602	8,983,946
Borrowings	704,334	4,205,446	624,764	5,534,544
Total undiscounted financial liabilities	2,553,032	7,253,092	4,712,366	14,518,490

Notes to the Financial Statements (cont'd.)

31 December 2019

39. FINANCIAL INSTRUMENTS (CONT'D.)

(d) Liquidity risk (cont'd.)

	On demand within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Company				
31 December 2019				
Financial liabilities:				
Other payables	215,096	-	-	215,096
Borrowings	1,125,142	2,337,171	-	3,462,313
Lease liabilities	62	546	-	608
Total undiscounted financial liabilities	1,340,300	2,337,717	-	3,678,017
31 December 2018				
Financial liabilities:				
Other payables	330,710	-	-	330,710
Borrowings	140,600	2,837,550	624,764	3,602,914
Total undiscounted financial liabilities	471,310	2,837,550	624,764	3,933,624

(e) Credit risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets.

Notes to the Financial Statements (cont'd.)

31 December 2019

39. FINANCIAL INSTRUMENTS (CONT'D.)

(e) Credit risk (cont'd.)

Exposure to credit risk

Majority of trade receivables are due from airport tenants, airline companies and representative firms. The customer portfolio of the Group is diversified, with Malaysia Airlines, AirAsia Group, Malindo Airways, Hamad International Airport and Setur Servis Turistik A.S, being the main customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. Since the Group trades only with recognised and creditworthy third parties, there are no requirement for collateral. The Group obtains bank guarantee from its major customer other than airlines.

Investments are acquired after assessing the quality of the relevant investments. Cash and cash equivalents are placed with reliable financial institutions.

The credit risk of the trade and other receivables are disclosed in Note 21. The Group's other financial assets, which comprise investments and cash and cash equivalents arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets as disclosed in Notes 21 and 26.

Credit risk concentration profile

At the reporting date, approximately 56% (2018: 51%) of the Group's trade receivables were due from six (2018: six) major customers who are reputable and located in Malaysia, Turkey and Qatar.

In addition, the Group's concentration of risk also includes the amount receivable from the GoM as disclosed in Note 21 and the Group minimises its credit risk by maintaining regular communication with the GoM.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 21. Deposits with banks and other financial institutions, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 21.

Notes to the Financial Statements (cont'd.)

31 December 2019

39. FINANCIAL INSTRUMENTS (CONT'D.)

(f) Fair values

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	21
Trade and other payables	34

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values are as follows:

(i) Trade and other receivables (non-current), borrowings and trade and other payables (non-current)

Fair value has been determined by discounting the future cash flows expected to be received or paid. The discount rates used are the current market incremental lending rates for similar types of lending and borrowing.

The carrying amounts of the current portion of borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

(ii) Unit trusts, bonds and medium term notes

The fair value of unit trusts, bonds and medium term notes is based on prices quoted by independent data providers and independent brokers.

Notes to the Financial Statements (cont'd.)

31 December 2019

40. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group actively manages its capital structure and makes adjustments to it in light of changes in, amongst others, its operating environment and economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 2018.

Gearing ratio is not a standardised term under the Malaysian Financial Reporting Standards and its determination may vary from one Company to another. The gearing ratio is included in management's analysis because it is used as a financial measure of potential capacity of the Group to incur and service its debt coverage and determined as aggregate indebtedness over the equity of the Group. The Group's policy is to keep its gearing ratio manageable so as to maintain its strong credit ratings and in any event not exceeding 125% as provided in the Covenants under its Sukuk Programmes. The Group indebtedness includes borrowings and certain financial guarantee and contingent liabilities within the aggregate indebtedness, but excludes inter-company loans which are subordinated to the Sukuk Programmes. Equity of the Group includes, if any, preference equity, subordinated shareholders' advances or loans and retained earnings or accumulated losses less goodwill.

		Group	
		2019	2018
	Note	RM'000	RM'000
Borrowings	30	4,932,733	5,143,286
Derivative financial instruments	32	50,059	57,097
Contingent liabilities	36(b)	605,687	530,346
		5,588,479	5,730,729
Equity attributable to Owners of the Company		9,325,376	9,140,726
Gearing ratio		60%	63%

Notes to the Financial Statements (cont'd.)

31 December 2019

41. SEGMENT INFORMATION

(a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services offered. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

For management purposes, the Group is organised into business units and has the following reportable operating segments:

Malaysia operations:

(i) Duty free and non-dutiable goods

To operate duty free, non-duty free outlets and provide management service in respect of food and beverage outlets at designated airports.

(ii) Airport services

To manage, operate and maintain designated airports in Malaysia and to provide airport related services.

(iii) Agriculture and horticulture

To cultivate and sell oil palm and other agricultural products and to carry out horticulture activities.

(iv) Hotel

To manage and operate hotels, known as Sama-Sama Hotel, Sama-Sama Express K.L. International Airport and Sama-Sama Express klia2.

(v) Project and repair maintenance

To provide consultancy, operations and maintenance of Information and Communication Technology business ventures and provision of mechanical and electrical engineering.

Notes to the Financial Statements (cont'd.)

31 December 2019

41. SEGMENT INFORMATION (CONT'D.)

(a) Reporting format (cont'd.)

For management purposes, the Group is organised into business units and has the following reportable operating segments: (cont'd.)

Overseas operations:

(i) Airport services

To manage, operate and maintain the ISGIA in Turkey and to provide airport related services.

(ii) Project and repair maintenance

To provide facilities maintenance services at Hamad International Airport.

Other business segments include investment holding and other activities, none of which are of a sufficient size to be reported separately.

(b) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transactions between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

Notes to the Financial Statements (cont'd.)

31 December 2019

4.1. SEGMENT INFORMATION (CONT'D.)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

	Continuing operations												Total RM'000
	Malaysia Operations						Overseas Operations						
	Airport operations			Non-airport operations			Airport operations			Non-airport operations			
	Duty free and non-dutiable goods	Airport services	Agriculture and horticulture	Hotel maintenance	Project and repair maintenance	Others	Airport services	Project and repair maintenance	Consolidation adjustments				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Notes	RM'000	
31 December 2019													
Revenue													
External sales													
Airport operations:													
Aeronautical	-	1,993,486	-	-	-	-	771,165	-	-	-		2,764,651	
Non-aeronautical:													
Retail	850,224	-	-	-	-	-	-	-	-	-		850,224	
Others	2,696	797,878	-	-	-	-	510,730	-	-	-		1,311,304	
Non-airport operations	-	-	26,932	88,577	15,158	-	9,675	146,586	-	-		286,928	
Inter-segment sales	1,547	284,525	6,992	4,734	125,410	-	90,808	-	(514,016)	A		-	
Inter-segment dividends	-	-	-	-	-	317,214	-	-	(317,214)	A		-	
Total revenue	854,467	3,075,889	33,924	93,311	140,568	317,214	1,382,378	146,586	(831,230)			5,213,107	
Results													
Segment results	53,166	1,240,117	5,018	32,334	56,350	467,162	955,278	13,660	(531,073)	B		2,292,012	
Depreciation and amortisation	(8,452)	(367,677)	(5,086)	(18,272)	(1,145)	(177,776)	(325,126)	(7,757)	(190,287)	C		(941,578)	
Finance costs	(171)	(266,133)	(32)	(1,784)	(2,580)	(141,640)	(485,139)	-	171,478	D		(726,001)	
Share of results of associates	-	15,294	-	-	-	-	-	-	-	-		15,294	
Share of results of joint ventures	-	-	-	-	-	19,424	-	-	-	-		19,424	
Profit/(loss) before tax	44,543	621,601	(100)	12,278	52,625	327,170	145,013	5,903	(549,882)			659,151	
Taxation and zakat	(13,174)	(128,305)	(850)	2,113	(7,658)	(66)	(15,769)	(1,388)	42,988	C		(122,109)	
Profit/(loss) for the year	31,369	493,296	(950)	14,391	44,967	327,104	129,244	4,515	(506,894)			537,042	
Assets													
Segment assets	286,261	10,564,938	97,592	172,213	185,744	12,180,878	6,193,084	78,299	(8,311,060)	E		21,447,949	
Additions to non-current assets	5,774	424,080	1,233	1,891	2,202	31,811	28,573	7,957	-	-		503,521	
Investments in associates	-	126,977	-	-	-	-	-	-	-	-		126,977	
Investments in joint ventures	-	-	-	-	-	104,210	-	-	-	-		104,210	
Total assets	292,035	11,115,995	98,825	174,104	187,946	12,316,899	6,221,657	86,256	(8,311,060)			22,182,657	
Liabilities													
Segment liabilities, representing total liabilities	136,299	6,329,295	20,862	55,363	61,410	5,570,271	7,168,443	81,209	(6,565,871)	F		12,857,281	

Notes to the Financial Statements (cont'd.)

31 December 2019

41. SEGMENT INFORMATION (CONT'D.)

	Continuing operations											
	Malaysia Operations						Overseas Operations					
	Airport operations			Non-airport operations			Airport operations			Non-airport operations		
	Duty free and non-dutiable goods	Airport services	Agriculture and horticulture	Hotel maintenance	Project and repair	Others	Airport services	Project and repair	Consolidation adjustments			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Notes	RM'000	RM'000
31 December 2018												
Revenue												
External sales												
Airport operations:												
Aeronautical	-	1,797,044	-	-	-	-	607,297	-	-		-	2,404,341
Non-aeronautical:												
Retail	831,299	-	-	-	-	-	-	-	-		-	831,299
Others	1,816	784,907	-	-	-	-	472,474	-	-		-	1,259,197
Construction	-	-	-	-	-	-	65,557	-	-		-	65,557
Non-airport operations	-	-	30,085	90,210	13,109	-	8,772	149,132	-		-	291,308
Inter-segment sales	1,092	285,450	6,787	2,313	78,036	-	74,530	-	(448,208)	A	-	-
Inter-segment dividends	-	-	-	-	-	345,000	-	-	(345,000)	A	-	-
Total revenue	834,207	2,867,401	36,872	92,523	91,145	345,000	1,228,630	149,132	(793,208)			4,851,702
Results												
Segment results	75,455	1,112,795	8,102	24,038	18,249	840,979	862,114	22,059	(580,247)	B		2,383,544
Depreciation and amortisation	(9,405)	(330,747)	(4,549)	(11,420)	(504)	(15,883)	(312,783)	(5,059)	(197,129)	C		(887,479)
Finance costs	-	(228,426)	(6)	10	21	(147,649)	(540,937)	-	171,396	D		(745,591)
Share of results of associates	-	12,821	-	-	-	-	-	-	-		-	12,821
Share of results of joint ventures	-	-	-	-	-	17,297	-	-	-		-	17,297
Profit/(loss) before tax	66,050	566,443	3,547	12,628	17,766	694,744	8,394	17,000	(605,980)			780,592
Taxation and zakat	(11,065)	(72,601)	112	(987)	(4,269)	(205)	(6,267)	(1,508)	43,501	C		(53,289)
Profit/(loss) for the year	54,985	493,842	3,659	11,641	13,497	694,539	2,127	15,492	(562,479)			727,303
Assets												
Segment assets	229,835	10,062,179	96,867	127,500	160,701	12,302,891	6,361,563	97,075	(7,917,107)	E		21,521,504
Additions to non-current assets	3,334	415,519	3,656	2,774	1,446	26,767	83,616	3,886	-		-	540,998
Investments in associates	-	113,783	-	-	-	-	-	-	-		-	113,783
Investments in joint ventures	-	-	-	-	-	96,818	-	-	-		-	96,818
Total assets	233,169	10,591,481	100,523	130,274	162,147	12,426,476	6,445,179	100,961	(7,917,107)			22,273,103
Liabilities												
Segment liabilities, representing total liabilities	108,802	6,011,993	21,609	25,924	57,888	5,687,182	7,555,941	79,679	(6,416,641)	F		13,132,377

Notes to the Financial Statements (cont'd.)

31 December 2019

41. SEGMENT INFORMATION (CONT'D.)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

- (A) Inter-segment sales and dividends are eliminated on consolidation.
- (B) Segment results from continuing operations is derived after deducting mainly inter-segment dividend and intercompanies finance charges.
- (C) Fair value adjustments in relation to the Purchase Price Allocation exercise on the acquisition of subsidiaries.
- (D) Inter-segment interest and fair value adjustments in relation to the Purchase Price Allocation exercise on the acquisition of subsidiaries.
- (E) The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2019 RM'000	2018 RM'000
Investment in subsidiaries	(2,198,876)	(2,198,880)
Inter-segment assets	(6,112,184)	(5,718,227)
	(8,311,060)	(7,917,107)

- (F) The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2019 RM'000	2018 RM'000
Inter-segment liabilities	(6,565,871)	(6,416,641)

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