



## FINANCIAL STATEMENTS 2018



CREATING **HAPPY GUESTS**

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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 2018.

### 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

	<b>Group</b>	<b>Company</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit net of tax	727,303	381,683
Profit attributable to:		
Owners of the Company	727,303	381,683

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 2017 were as follows:

**RM'000**

In respect of the financial year ended 31 December 2017 as reported in the directors' report of that year:

Single-tier final dividend of 8 sen, on 1,659,191,829 ordinary shares, declared on 5 May 2018 and paid on 6 June 2018	132,735
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In respect of the financial year ended 31 December 2018:

Single-tier interim dividend of 5 sen, on 1,659,191,829 ordinary shares, declared on 28 August 2018 and paid on 28 September 2018	82,960
	215,695

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2018, of 9 sen on 1,659,191,829 ordinary shares on single-tier basis, with a total quantum of RM149,327,265 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 2019.

### 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 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

Datuk Siti Zaayah binti Md Desa (appointed on 17 October 2018)

Ramanathan a/l Sathiamutty (appointed on 1 January 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)

Datuk Mohd Badlisham bin Ghazali (resigned on 23 June 2018)

Dato' Sri Dr. Mohmad Isa bin Hussain (resigned on 10 May 2018)

Mohd Shihabuddin bin Mukhtar [alternate director to Dato' Sri Dr. Mohmad Isa bin Hussain] (resigned on 10 May 2018)

## 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:

Ahmad Tarmizi bin Mohd Hashim  
Azli bin Mohamed  
Azrin bin Abdul Majid  
Datin Nik Ruziah Nik Mohd Salleh  
Dato' Abu Bakar bin Mohd Nor  
Darwish Abdulla D Al-Darwish  
Ir. Khairiah binti Haji Salleh  
Ir. Suradini binti Abdul Ghani  
Mansoor bin Wan Abdullah  
Mohammad Suhaimi bin Abdul Mubin  
Mohd Nazli bin Abdul Aziz  
Nornajihah binti Ismail  
Radin Asrul Adza bin Radin Soenarno  
Raja Azmi bin Raja Nazuddin  
Randhill Singh a/l Amrick Singh  
Sharmil Shah  
Veelayudan a/l Krishnan Nair  
Vivienne Lee Swee Lian @ Lee Abdullah  
Zainol bin Mohd Isa  
Dato' Dr. Mohd Fauzi bin Hj Ramlan (appointed on 27 December 2018)  
Halil Ucarer (appointed on 22 November 2018)  
Shameem Kureemun (appointed on 17 August 2018)  
Lindayani binti Tajuddin (appointed on 6 July 2018)  
Abdurrahman Seref Can (appointed on 24 May 2018)  
Georges Valery Magon (appointed on 28 February 2018)  
Selvendran a/l Katheerayson (appointed on 17 December 2018 and resigned on 14 February 2019)  
Dr. Sharifuddin bin Abdul Hamid (resigned on 27 December 2018)  
Zafer Sonmez (resigned on 13 November 2018)  
Azri bin Zaharuddin (resigned on 21 August 2018)  
Deven Coopoosamy (resigned on 17 August 2018)  
Dato' Chua Kok Ching (resigned on 1 August 2018)  
Jayechund Jingree (resigned on 28 February 2018)  
Sushil Kumar Jogoo (resigned on 28 February 2018)

## 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.
- (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.

## DIRECTORS' REPORT (cont'd.)

### OTHER STATUTORY INFORMATION (CONT'D.)

- (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.

### SUBSEQUENT EVENT AFTER THE REPORTING DATE

Details of subsequent event after the reporting date is disclosed in Note 39 to the financial statements.

### AUDITORS

The auditors, Ernst & Young, 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.

### INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, 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 during the current financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 February 2019.



Tan Sri Datuk Zainun Ali  
Kuala Lumpur, Malaysia



Datuk Seri Yam Kong Choy

## STATEMENT BY DIRECTORS

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

We, YBhg 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 14 to 177 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 2018 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 2019.



**Tan Sri Datuk Zainun Ali**  
Kuala Lumpur, Malaysia



**Datuk Seri Yam Kong Choy**



## STATUTORY DECLARATION

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

I, Raja Azmi bin Raja Nazuddin (MIA Number: 8515), 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 14 to 177 are in my opinion 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 Raja Azmi bin Raja Nazuddin at Kuala Lumpur in the Federal Territory on 28 February 2019.



Raja Azmi bin Raja Nazuddin

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 2018 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 14 to 177.

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 2018, and of their financial performance and their cash flows for the year then 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("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 current environment and the losses arising from operations 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 2018, the net book value of intangible assets amount to RM16.8 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 2018, the Group's deferred tax assets amount to RM190.9 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

1. As stated in Notes 2.2 and 43 to the financial statements, Malaysia Airports Holdings Berhad adopted Malaysian Financial Reporting Standards and International Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position of the Group and of the Company as at 31 December 2017 and 1 January 2017, and the 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 ended 31 December 2017 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2018, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as at 31 December 2018 and financial performance and cash flows for the year then ended.
2. 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**  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
28 February 2019



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

## STATEMENTS OF PROFIT OR LOSS

For the financial year ended 31 December 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Revenue	3	4,851,702	4,651,287	345,000	254,000
Cost of inventories sold		(421,343)	(448,977)	-	-
Other income	4	547,045	230,935	431,233	378,850
Employee benefits expenses	5	(836,085)	(852,144)	(158,836)	(167,124)
Construction costs		(65,557)	(57,905)	-	-
Depreciation and amortisation		(887,479)	(880,824)	(15,883)	(16,105)
Other expenses		(1,692,218)	(1,603,593)	(72,237)	(78,926)
Finance costs	6	(745,591)	(720,614)	(147,649)	(155,479)
Share of results of associates	17	12,821	5,801	-	-
Share of results of joint ventures	18	17,297	14,824	-	-
Profit before tax and zakat	7	780,592	338,790	381,628	215,216
Taxation and zakat	9	(53,289)	(98,421)	55	(2,876)
Profit net of tax		727,303	240,369	381,683	212,340
<b>Profit attributable to:</b>					
Owners of the Company		727,303	239,757	381,683	212,340
Non-controlling interests		-	612	-	-
		727,303	240,369	381,683	212,340
<b>Earnings per share attributable to Owners of the Company</b>					
(sen per share)					
- basic, for profit for the year	11	40.37	10.98		

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 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Profit net of tax		727,303	240,369	381,683	212,340
Other comprehensive income:					
Foreign currency translation		(29,911)	41,955	-	-
Unrealised gain on derivative financial instruments	33	3,689	8,826	-	-
Actuarial loss on retirement benefits	30(b)(iii)	(2,812)	-	-	-
Other comprehensive (loss)/income for the year, net of tax		(29,034)	50,781	-	-
Total comprehensive income for the year		698,269	291,150	381,683	212,340
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		698,269	290,538	381,683	212,340
Non-controlling interests		-	612	-	-
		698,269	291,150	381,683	212,340

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group		
		2018 RM'000	2017 RM'000 Restated	1.1.2017 RM'000 Restated
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	13	418,849	417,083	448,355
Land use rights	14	6,926	7,034	7,141
Intangible assets	15	16,764,994	17,409,638	17,230,972
Investments in associates	17	113,783	44,962	36,161
Investments in joint ventures	18	96,818	92,031	82,720
Financial assets at fair value through profit or loss	19	353,573	149,698	234,475
Trade and other receivables	21	37,586	438,268	411,111
Employee loans	22	26,785	27,711	31,710
Deferred tax assets	23	190,913	245,587	226,244
		18,010,227	18,832,012	18,708,889
<b>Current assets</b>				
Inventories	24	127,896	140,591	135,235
Biological assets	25	1,641	2,532	3,583
Trade and other receivables	21	1,283,531	758,528	828,398
Tax recoverable		95,622	10,181	10,958
Financial assets at fair value through profit or loss	19	1,303,715	1,167,589	635,019
Cash and cash equivalents	26	1,450,471	1,293,391	936,857
		4,262,876	3,372,812	2,550,050
Asset of disposal group classified as held for disposal	10	-	-	151
		4,262,876	3,372,812	2,550,201
<b>Total assets</b>		<b>22,273,103</b>	<b>22,204,824</b>	<b>21,259,090</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (cont'd.)

As at 31 December 2018

	Note	Group		
		2018 RM'000	2017 RM'000 Restated	1.1.2017 RM'000 Restated
<b>Equity and liabilities</b>				
<b>Equity attributable to Owners of the Company</b>				
Share capital	27	5,114,341	5,114,341	1,659,192
Perpetual Sukuk	32	997,842	997,842	997,842
Share premium	27	-	-	3,455,149
Retained earnings	28	3,037,416	2,583,308	2,580,976
Hedging reserve	33	(24,902)	(28,591)	(37,417)
Other reserves	30(b)	3,985	6,891	6,801
Foreign exchange reserve	30(a)	12,044	41,955	-
		9,140,726	8,715,746	8,662,543
Non-controlling interests		-	-	2,031
<b>Total equity</b>		9,140,726	8,715,746	8,664,574
<b>Non-current liabilities</b>				
Borrowings	31	4,930,929	5,126,028	5,386,142
Derivative financial instruments	33	49,600	37,462	43,393
Trade and other payables	34	5,099,559	5,180,162	4,460,533
Deferred tax liabilities	23	919,643	919,049	938,684
		10,999,731	11,262,701	10,828,752
<b>Current liabilities</b>				
Borrowings	31	212,357	423,258	193,638
Derivative financial instruments	33	7,497	8,644	3,389
Trade and other payables	34	1,896,950	1,745,089	1,538,571
Income tax payable		15,842	49,386	30,147
		2,132,646	2,226,377	1,765,745
Liability of disposal group classified as held for disposal	10	-	-	19
		2,132,646	2,226,377	1,765,764
<b>Total liabilities</b>		13,132,377	13,489,078	12,594,516
<b>Total equity and liabilities</b>		22,273,103	22,204,824	21,259,090

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

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	Company		
		2018 RM'000	2017 RM'000 Restated	1.1.2017 RM'000 Restated
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	13	80,721	71,467	73,531
Investments in subsidiaries	16	2,274,899	1,962,902	1,943,696
Investments in joint ventures	18	53,718	53,718	53,718
Financial assets at fair value through profit or loss	19	36,124	107,894	188,416
Other receivables	21	4,301,799	4,611,275	4,998,489
Deferred tax asset	23	-	352	1,518
		6,747,261	6,807,608	7,259,368
<b>Current assets</b>				
Inventories	24	13	13	13
Other receivables	21	2,421,623	2,559,737	2,340,108
Tax recoverable		2,855	1,814	1,622
Financial assets at fair value through profit or loss	19	480,696	428,477	198,703
Cash and cash equivalents	26	115,972	97,136	24,911
		3,021,159	3,087,177	2,565,357
<b>Total assets</b>		<b>9,768,420</b>	<b>9,894,785</b>	<b>9,824,725</b>

**STATEMENT OF FINANCIAL POSITION** (cont'd.)

As at 31 December 2018

	Note	Company		
		2018 RM'000	2017 RM'000 Restated	1.1.2017 RM'000 Restated
<b>Equity and liabilities</b>				
<b>Equity attributable to Owners of the Company</b>				
Share capital	27	5,114,341	5,114,341	1,659,192
Perpetual Sukuk	32	997,842	997,842	997,842
Share premium	27	-	-	3,455,149
Retained earnings	28	220,192	111,704	139,376
<b>Total equity</b>		<b>6,332,375</b>	<b>6,223,887</b>	<b>6,251,559</b>
<b>Non-current liability</b>				
Borrowings	31	3,100,000	3,100,000	3,350,000
<b>Current liabilities</b>				
Borrowings	31	-	250,000	-
Other payables	34	336,045	320,898	223,166
		336,045	570,898	223,166
<b>Total liabilities</b>		<b>3,436,045</b>	<b>3,670,898</b>	<b>3,573,166</b>
<b>Total equity and liabilities</b>		<b>9,768,420</b>	<b>9,894,785</b>	<b>9,824,725</b>

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 2018

Group	Attributable to Owners of the Company										Total equity RM'000			
	Share capital RM'000 (Note 27)	Perpetual Sukuk RM'000 (Note 32)	Share premium RM'000 (Note 27)	Fair value			Non-distributable			Distributable retained earnings RM'000 (Note 28)		Non-controlling interests RM'000		
				adjustment reserve RM'000 (Note 29)	exchange reserve RM'000 (Note 30(a))	Foreign exchange reserve RM'000 (Note 30(a))	Hedging reserve RM'000 (Note 33)	Hedging reserve RM'000 (Note 33)	Other reserves RM'000 (Note 30(b))				Total RM'000	
<b>At 1 January 2017 (as previously reported)</b>	1,659,192	997,842	3,455,149	8,268	283,835	283,835	8,268	283,835	(37,417)	6,801	2,321,187	8,694,857	2,031	8,696,888
Effect of adoption of MFRS	-	-	-	(8,268)	(283,835)	(283,835)	-	-	-	-	259,789	(32,314)	-	(32,314)
<b>At 1 January 2017 (as restated)</b>	1,659,192	997,842	3,455,149	-	-	-	-	-	(37,417)	6,801	2,580,976	8,662,543	2,031	8,664,574
Total comprehensive income	-	-	-	-	41,955	41,955	-	-	8,826	-	239,757	290,538	612	291,150
Legal reserve	-	-	-	-	-	-	-	-	-	90	-	90	-	90
Distribution to Perpetual Sukuk holder	-	-	-	-	-	-	-	-	-	-	(57,500)	(57,500)	-	(57,500)
<b>Transactions with Owners of the Company</b>														
Dividends	-	-	-	-	-	-	-	-	-	-	(182,512)	(182,512)	-	(182,512)
Effect arising from acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-	-	2,612	2,612	(2,612)	-
Effect arising from liquidation of subsidiary	-	-	-	-	-	-	-	-	-	-	(25)	(25)	(31)	(56)
Total transactions with Owners of the Company	-	-	-	-	-	-	-	-	-	-	(179,925)	(179,925)	(2,643)	(182,568)
Effect of implementation of the Companies Act, 2016	3,455,149	-	(3,455,149)	-	-	-	-	-	-	-	-	-	-	-
<b>At 31 December 2017 (as restated)</b>	5,114,341	997,842	-	-	41,955	28,591	6,891	2,583,308	8,715,746	-	-	-	-	8,715,746
<b>At 1 January 2018 (as previously reported)</b>	5,114,341	997,842	-	272,636	325,790	(28,591)	6,891	2,320,248	9,009,157	-	-	-	-	9,009,157
Effect of adoption of MFRS	-	-	-	(272,636)	(283,835)	-	-	263,060	(293,411)	-	-	-	-	(293,411)
<b>At 1 January 2018 (as restated)</b>	5,114,341	997,842	-	-	41,955	(28,591)	6,891	2,583,308	8,715,746	-	-	-	-	8,715,746
Total comprehensive income	-	-	-	-	(29,911)	3,689	(2,812)	727,303	698,269	-	-	(94)	-	698,269
Legal reserve	-	-	-	-	-	-	(94)	-	(94)	-	-	(94)	-	(94)
Distribution to Perpetual Sukuk holder	-	-	-	-	-	-	-	-	-	-	(57,500)	(57,500)	-	(57,500)
<b>Transaction with Owners of the Company</b>														
Dividends	-	-	-	-	-	-	-	(215,695)	(215,695)	-	-	(215,695)	-	(215,695)
Total transaction with Owners of the Company	-	-	-	-	-	-	-	(215,695)	(215,695)	-	-	(215,695)	-	(215,695)
<b>At 31 December 2018</b>	5,114,341	997,842	-	-	12,044	(24,902)	3,985	3,037,416	9,140,726	-	-	-	-	9,140,726

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 2018

	← Attributable to Owners of the Company →					
	← Non-distributable →			Fair value	Distributable	Total
Note	Share capital RM'000 (Note 27)	Perpetual Sukuk RM'000 (Note 32)	Share premium RM'000 (Note 27)	adjustment reserve RM'000 (Note 29)	retained earnings RM'000 (Note 28)	
<b>Company</b>						
<b>At 1 January 2017</b>						
<b>(as previously reported)</b>	1,659,192	997,842	3,455,149	8,169	133,540	6,253,892
Effect of adoption of MFRS	43	-	-	(8,169)	5,836	(2,333)
<b>At 1 January 2017</b>						
<b>(as restated)</b>	1,659,192	997,842	3,455,149	-	139,376	6,251,559
Total comprehensive income	-	-	-	-	212,340	212,340
Distribution to Perpetual Sukuk holder	32	-	-	-	(57,500)	(57,500)
<b>Transaction with Owners of the Company:</b>						
Dividends	12	-	-	-	(182,512)	(182,512)
Total transaction with Owners of the Company	-	-	-	-	(182,512)	(182,512)
Effect of implementation of the Companies Act, 2016	3,455,149	-	(3,455,149)	-	-	-
<b>At 31 December 2017</b>						
<b>(as restated)</b>	<b>5,114,341</b>	<b>997,842</b>	<b>-</b>	<b>-</b>	<b>111,704</b>	<b>6,223,887</b>

**STATEMENTS OF CHANGES IN EQUITY** (cont'd.)

For the financial year ended 31 December 2018

	← Attributable to Owners of the Company →						Total equity RM'000
	← Non-distributable →			Fair value adjustment reserve	Distributable retained earnings	RM'000	
Note	Share capital RM'000 (Note 27)	Perpetual Sukuk RM'000 (Note 32)	Share premium RM'000 (Note 27)	RM'000 (Note 29)	RM'000 (Note 28)		RM'000
<b>Company (cont'd.)</b>							
<b>At 1 January 2018 (as previously reported)</b>		5,114,341	997,842	-	3,713	109,169	6,225,065
Effect of adoption of MFRS	43	-	-	-	(3,713)	2,535	(1,178)
<b>At 1 January 2018 (as restated)</b>		5,114,341	997,842	-	-	111,704	6,223,887
Total comprehensive income		-	-	-	-	381,683	381,683
Distribution to Perpetual Sukuk holder	32	-	-	-	-	(57,500)	(57,500)
<b>Transaction with Owners of the Company:</b>							
Dividends	12	-	-	-	-	(215,695)	(215,695)
Total transaction with Owners of the Company		-	-	-	-	(215,695)	(215,695)
<b>At 31 December 2018</b>		5,114,341	997,842	-	-	220,192	6,332,375

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 2018

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
<b>Cash flows from operating activities</b>				
Profit before tax and zakat	780,592	338,790	381,628	215,216
Adjustments for:				
Interest income	(50,055)	(43,550)	(2,944)	(3,591)
Gain on financial instruments at fair value through profit or loss	(1,222)	(186)	-	-
Dividend income	-	-	(357,510)	(259,513)
Interest expense	732,745	714,071	147,649	155,479
Loss from derivative financial instruments	12,846	6,543	-	-
Provision for liabilities	4,857	12,461	-	1,325
Writeback of provision for liabilities	(1,900)	(5,991)	(897)	(30)
Loss on fair value of biological assets	891	1,051	-	-
Amortisation of:				
- intangible assets	828,241	819,000	-	-
- land use rights	108	107	-	-
Depreciation of property, plant and equipment	59,130	61,717	15,883	16,105
Reversal of allowance for property, plant and equipment	-	(1,391)	-	-
Net allowance/(writeback) for doubtful debts	18,035	38,220	(5,200)	(171)
Bad debt written off	9,128	413	5,502	-
(Gain)/loss on disposal of:				
- property, plant and equipment	(8)	3	-	-
- investment in associate	(28,178)	-	-	-
Unrealised gain on fair value on financial assets at fair value through profit or loss	(258,399)	-	-	-
Property, plant and equipment written off	1,072	4,020	827	-
Intangible assets written off	8,797	13,507	-	-
Balance carried forward	2,116,680	1,958,785	184,938	124,820

**STATEMENTS OF CASH FLOWS** (cont'd.)

For the financial year ended 31 December 2018

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
<b>Cash flows from operating activities (cont'd.)</b>				
Adjustments for (cont'd.):				
Balance brought forward	2,116,680	1,958,785	184,938	124,820
Inventories written off	3,410	3,730	-	-
Investment income	(54,138)	(41,412)	(9,017)	(5,282)
Share of results of:				
- associates	(12,821)	(5,801)	-	-
- joint ventures	(17,297)	(14,824)	-	-
Operating profit before working capital changes	2,035,834	1,900,478	175,921	119,538
Decrease/(increase) in inventories	9,380	(9,780)	-	-
(Increase)/decrease in receivables	(72,257)	37,518	(3,124)	(128,090)
Increase in payables	192,535	180,905	15,294	63,462
Decrease in concession liabilities	(29,094)	(30,070)	-	-
Decrease in provisions for liabilities	(4,252)	(4,748)	(52)	(6)
Changes in related company balances	-	-	453,340	459,958
Cash generated from operations	2,132,146	2,074,303	641,379	514,862
Taxes and zakat paid	(103,494)	(137,049)	(634)	(597)
Net cash generated from operating activities	2,028,652	1,937,254	640,745	514,265
<b>Cash flows from investing activities</b>				
Purchase of:				
- property, plant and equipment	(54,591)	(33,020)	(25,964)	(14,041)
- intangible assets	(407,663)	(251,405)	-	-
- quoted unit trust	(137,260)	(544,695)	(50,109)	(241,830)
- quoted bonds	-	(3,000)	-	(3,000)
Proceeds from disposal of:				
- property, plant and equipment	11	12	-	-
- quoted unit trust	69,661	91,122	69,661	91,122
Balance carried forward	(529,842)	(740,986)	(6,412)	(167,749)

**STATEMENTS OF CASH FLOWS** (cont'd.)

For the financial year ended 31 December 2018

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
<b>Cash flows from investing activities (cont'd.)</b>				
Balance brought forward	(529,842)	(740,986)	(6,412)	(167,749)
Additional investment in an associate	(62,000)	(3,000)	-	-
Additional investment in subsidiaries	-	-	(311,997)	(19,206)
Investment income received	54,138	41,412	9,017	5,282
Interest received	3,060	5,428	1,132	962
Dividend received from:				
- associates	6,000	-	-	-
- joint ventures	12,510	5,513	12,510	5,513
- subsidiaries	-	-	345,000	124,000
Net cash (used in)/generated from investing activities	(516,134)	(691,633)	49,250	(51,198)
<b>Cash flows from financing activities</b>				
Repayment of borrowings	(367,950)	(72,600)	(250,000)	-
Swap payment	(8,723)	(6,543)	-	-
Concession payment	(452,394)	(451,440)	-	-
Interest paid	(233,023)	(241,105)	(147,649)	(150,830)
Dividends paid to shareholders of the Company	(215,695)	(182,512)	(215,695)	(182,512)
Distribution paid to Perpetual Sukuk holder	(57,815)	(57,500)	(57,815)	(57,500)
Net cash used in financing activities	(1,335,600)	(1,011,700)	(671,159)	(390,842)
<b>Net increase in cash and cash equivalents</b>	176,918	233,921	18,836	72,225
<b>Effects of foreign currency translation</b>	(19,838)	122,462	-	-
<b>Cash and cash equivalents classified as held for disposal</b>	-	151	-	-
<b>Cash and cash equivalents at beginning of year</b>	1,293,391	936,857	97,136	24,911
<b>Cash and cash equivalents at end of year (Note 26)</b>	1,450,471	1,293,391	115,972	97,136

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 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 2019.

### 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;

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

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

#### 1.2 Operating Agreements (cont'd.)

- (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;
- (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 Havalimani Yatırım Yapım ve İşletme A.S. (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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

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

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

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).
- (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 Atatürk Airport.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

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

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

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

- (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.

The financial statements of the Group and of the Company for the year ended 31 December 2018 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1 'First-time adoption of MFRS'. Subject to certain transition elections disclosed in Note 2.2, the Group and the Company have consistently applied the same accounting policies in its opening MFRS statements of financial position as at 1 January 2017 (transition date) and throughout all years presented, as if these policies had always been in effect. Comparative figures for 2017 in these financial statements have been restated to give effect to these changes. The impact of the transition to MFRS on the Group's and the Company's reported financial position and financial performance are disclosed in Notes 2.2 and 43.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.1 Basis of preparation (cont'd.)

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.

#### 2.2 First-time adoption of Malaysian Financial Reporting Standards (MFRS)

In preparing its opening MFRS Statements of Financial Position as at 1 January 2017 (which is also the date of transition), the Group has adjusted the amounts previously reported in the financial statements prepared in accordance with Financial Reporting Standards (FRS). Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these financial statements are consistent with those of audited financial statements for the year ended 31 December 2017 except as discussed below, and Note 43 discloses the impact of the transition to MFRS on the Group's and the Company's reported financial position and financial performance.

(a) MFRS 3: Business Combinations

The Group has elected to apply MFRS 3 Business Combinations prospectively to business combinations that occurred after 1 January 2017 and business combinations that occurred prior to 1 January 2017 have not been restated. The Group has continued to deem the carrying amount of investment in each subsidiary, joint venture and associate to be the cost of the investment in the separate financial statements as at the date of the transition to MFRSs.

(b) Foreign currency translation reserve

Under FRS, the Group recognised translation differences on foreign operations as a separate component of equity. As part of its transition to MFRS, the Group elected to apply the optional exemption whereby the cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition. Accordingly, as of the date of transition to MFRS, the cumulative foreign currency translation differences of RM283,835,000 were adjusted to retained earnings.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 First-time adoption of Malaysian Financial Reporting Standards (MFRS) (cont'd.)

#### (c) MFRS 9: Financial Instruments

In these financial statements, the Group has applied MFRS 9 Financial Instruments (MFRS 9) effective for annual periods beginning on or after 1 January 2018. MFRS 9 replaces FRS 139 Financial Instruments: Recognition and Measurement (FRS 139), bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, the Group has applied MFRS 9 retrospectively, with the initial application date of 1 January 2018 and adjusted the comparative information for the period beginning 1 January 2017.

#### (i) Changes to classification and measurement

To determine their classification and measurement category, MFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets and the instruments' contractual cash flow characteristics.

The FRS 139 measurement categories of financial assets at fair value through profit or loss (FVTPL), available-for-sale (AFS), held-to-maturity and amortised cost have been replaced by:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses on profit or loss on derecognition; and
- Financial assets at FVTPL.

The assessment on the Group's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment on whether contractual cash flows on debt instruments are solely comprised of principal and interest (SPPI) was made based on the facts and circumstances as at the initial recognition of the assets and is performed at instrument level.

Certain investments in quoted unit trust and quoted bonds that do not meet the criteria to be classified either as at FVOCI or at amortised cost will have to be reclassified to financial assets at FVTPL. Certain equity instruments held by the Group that were previously classified as available-for-sale were elected to be classified as fair value through profit or loss under MFRS 9.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 First-time adoption of Malaysian Financial Reporting Standards (MFRS) (cont'd.)

(c) MFRS 9: Financial Instruments (cont'd.)

(i) Changes to classification and measurement (cont'd.)

The accounting for the Group's financial liabilities remains largely the same as it was under FRS 139. Similar to the requirements of FRS 139, MFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statements of profit or loss.

(ii) Changes to impairment

The adoption of MFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing FRS 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. MFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL.

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.

For contract assets and trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit losses experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments 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.

(d) MFRS 15: Revenue from Contracts with Customers

MFRS 15 supersedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers and 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 First-time adoption of Malaysian Financial Reporting Standards (MFRS) (cont'd.)

#### (d) MFRS 15: Revenue from Contracts with Customers (cont'd.)

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted MFRS 15 using the full retrospective method.

The Group is in the business of providing airport related services, operating retail outlets, selling agricultural products, engaging in horticultural activities, operating and maintaining hotel and providing maintenance and technical services. The Group's revenue affected by the adoption of MFRS 15 are as follows:

#### (i) Agriculture commission

As stipulated in the sales and purchase agreement with the palm oil mill, the fresh fruits bunch (FFB) sold to the palm oil mill will entitle the Group to receive a commission of 30% on the profit before tax generated by the palm oil mill from the FFB collected from the Group. The commission gives rise to variable consideration as the Group's entitlement to the consideration is dependent on the performance of the palm oil mill. As the amount of commission is highly susceptible to factors outside the Group's influence, the Group shall estimate the variable consideration to which it will be entitled to the extent that it is highly probable that a significant reversal in the amount of the commission will not occur when the uncertainty is subsequently resolved. The adoption of MFRS 15 for agriculture commission has no material impact to the Group's financial results.

#### (ii) Horticulture and project revenue

Under MFRS 15, the Group concluded that horticulture and projects revenue will continue to be recognised over time, using an output method to measure progress towards complete satisfaction of the service similar to the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Group.

In addition, any earned consideration that is conditional should be recognised as a contract asset rather than receivable. Therefore, upon adoption of MFRS 15, the Group reclassified the remaining accrued revenue for services rendered to contract assets. The adoption of MFRS 15 for horticulture and project revenue has no material impact to the Group's financial results.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 First-time adoption of Malaysian Financial Reporting Standards (MFRS) (cont'd.)

##### (e) MFRS 141: Agriculture

Prior to the adoption of MFRS 141, the Group capitalised plantation development expenditure and amortised it at a rate of 4% per annum. Upon adoption of MFRS, biological assets related to agricultural activity will be accounted for under MFRS 141 and requires the separation of biological assets from the bearer plants.

The Group measured biological assets (FFB) at its fair value less costs to sell on initial recognition and for subsequent measurement, any gain or loss arising from fair value changes will be recognised in profit or loss. Fair value of biological assets determined by conducting Black Bunch Census (BBC) activity.

#### 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 2019

MFRS 16	Leases
Amendments to MFRS 9	Financial Instruments: Prepayment Features with Negative Compensation
Amendments to MFRS 119	Employee Benefits: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Annual Improvements to MFRSs 2015-2017 Cycle	Amendments to MFRS 3: Business Combinations
Annual Improvements to MFRSs 2015-2017 Cycle	Amendments to MFRS 11: Joint Arrangements
Annual Improvements to MFRSs 2015-2017 Cycle	Amendments to MFRS 112: Income Taxes
Annual Improvements to MFRSs 2015-2017 Cycle	Amendments to MFRS 123: Borrowing Costs
IC Interpretation 23	Uncertainty over Income Tax Treatments

# NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.3 Standards issued but not yet effective (cont'd.)

#### Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 3	Business Combinations
Amendments to MFRS 6	Exploration for Evaluation of Mineral Resources
Amendments to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to MFRS 134	Interim Financial Reporting
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendments to MFRS 138	Intangible Assets
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
IC Interpretation 132	Intangible Assets – Web Site Costs

#### 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 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Deferred)
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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 except as discussed below:

#### MFRS 16: Leases

MFRS 16 will replace 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 similar to the accounting for finance leases under MFRS 117.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.3 Standards issued but not yet effective (cont'd.)

##### MFRS 16: Leases (cont'd.)

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.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The standard will affect primarily the accounting of the Group's operating lease. As at 31 December 2018, the Group has non-cancellable operating lease commitments of RM113,812,000. The Group plans to apply MFRS 16 for contracts that were previously identified as leases applying MFRS 117 and IC4, therefore will not apply the Standard to contracts that were not previously identified as containing a lease applying MFRS 117 and IC4.

The Group's implementation efforts have included identifying contents and the scope of the standard, reviewing the associated contracts and evaluating the related accounting policies and internal controls to determine if any changes will be required. The Group has substantially completed the evaluation of the potential impact on the recognition and presentation of right-of-use assets and lease liabilities. The Group plans to adopt the standards on its effective date, using the modified retrospective method of adoption. The Group will continue to evaluate and prepare for the new disclosures required upon adoption of the standard.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 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.)

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.

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.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

##### (iii) Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

#### (b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill. The accounting policy of goodwill is stated in Note 2.4(d)(iii).

Goodwill is initially measured at cost less accumulated impairment losses, if any. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (c) 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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.

##### (d) 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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (d) Intangible assets (cont'd.)

##### (i) Concession rights (cont'd.)

##### (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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (d) Intangible assets (cont'd.)

##### (i) Concession rights (cont'd.)

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

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 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (d) Intangible assets (cont'd.)

###### (iii) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain (bargain purchase) is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's Cash Generating Unit (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

##### (e) 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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (e) 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.

##### (f) 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.



## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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.

##### (g) 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 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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (g) Impairment of non-financial assets (cont'd.)

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.

##### (h) 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.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (k) Financial assets (cont'd.)

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (k) Financial assets (cont'd.)

###### (i) Financial assets at amortised cost (debt instruments) (cont'd.)

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.

###### (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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (k) Financial assets (cont'd.)

##### (iii) Derecognition (cont'd.)

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.

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 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

#### (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.

#### (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'.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 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 (cont'd.)

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

###### (i) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Lease assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

#### (o) Leases (cont'd.)

##### (i) As lessee (cont'd.)

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

##### (ii) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases 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 liabilities

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 2018

### 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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

## 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.)

- 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

##### (iv) Goods and Services Tax (GST) and Sales and Service Tax (SST)

The net amount of GST being the difference between output and input of GST, payable to or receivable from the respective authorities at the reporting date, is included in trade and other payables or trade and other receivables in the statements of financial position. With the abolishment of GST, Sales and Service Tax made effective beginning 1 September 2018 resulted in Service Tax payable to the authorities included in the financial statement for transactions affecting the last quarter of the financial year.

##### (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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (t) Financial liabilities (cont'd.)

###### Other financial liabilities (cont'd.)

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.
- (ii) Airport Facilities Agreements relating to chilled water utilities at KLIA.
- (iii) 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 2018

### 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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (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/(loss).

###### (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.

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.4 Summary of significant accounting policies (cont'd.)****(w) Foreign currencies (cont'd.)****(iii) Foreign operations (cont'd.)**

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

	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
United States Dollar (USD)	4.14	4.05
Great Britain Pound (GBP)	5.27	5.47
Singapore Dollar (SGD)	3.04	3.03
Euro (EUR)	4.73	4.84
Switzerland Swiss Franc (CHF)	4.20	4.15
China Renminbi (RMB)	0.61	0.64
Hong Kong Dollar (HKD)	0.53	0.52
Qatar Riyal (QAR)	1.14	1.11
Australian Dollar (AUD)	2.92	3.16
Turkish Lira (TRY)	0.80	1.08
Indian Rupee (INR)	0.06	0.06
Canadian Dollar (CAD)	3.04	3.23

**(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.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

#### (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 year, 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 2018

### 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 2nd Tariff Cycle revision became effective on 12 February 2014. MARCS PSC of RM5,204,000 (2017: RM76,325,000) 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 2018

### 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(d)(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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (ab) Concession contracts (cont'd.)

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.

##### (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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

#### (ac) IC Interpretation 12 - Service Concession Arrangements (cont'd.)

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.

### 2.5 Significant accounting judgements and estimates

#### (a) Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (a) Critical judgements made in applying accounting policies (cont'd.)

##### (i) Amortisation of concession rights and infrastructure and construction assets (cont'd.)

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) Amount due from GoM

Management assessed the amount claimable from the GoM together with the future obligations of the Group in respect of User Fee payable to the GoM.

Profit projections are used in determining the future obligations in respect of future User Fee payable for any potential set-off against the amount claimable from GoM as at reporting date. The profit projections by the management are based on various assumptions, amongst others including passenger volume, usage of airports, amortisation of concession asset and projected growth rate.

Further management's key assumptions and judgement on arriving at the initial recognition and the fair value of the amount receivable from the GoM relating to the option of the racing circuit which was recognised as receivables in prior years are as follows:

- The present value of the consideration of the racing circuit option is calculated on the assumption that the amount expected to be received by the Group at the end of the option period in April 2019;
- The consideration of the racing circuit is based on the book value of the circuit as at 31 December 2010 and subsequent to the present value of the amount classified as long-term debts (receivable from the GoM); and
- The discounted rate used of 4.55% which approximated the prevailing market rates at the date of inception and subsequent changes to the accretion of the present value is accounted for as interest income relating to loans and receivables in future years.

Details of amounts due from and to GoM are disclosed in Notes 21 and 34.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (a) Critical judgements made in applying accounting policies (cont'd.)

###### (iii) 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 3% (2017: 3%) of the total revenue.

###### (iv) 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 pursuant to Amendments to MFRS 117, prepaid land lease payments is classified as land use rights.

###### (v) 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.

###### (vi) Impairment of ISG's 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.

###### (vii) Expected credit losses

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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (a) Critical judgements made in applying accounting policies (cont'd.)

###### (viii) Valuation of 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 judgments 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.

##### (b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

###### (i) 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.

###### (ii) 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 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (b) Key sources of estimation uncertainty (cont'd.)

###### (iii) Impairment of investments in subsidiaries and associates

Investments in subsidiaries and associates are for a long-term basis. The Group and the Company determine whether the carrying amounts of its investments in subsidiaries and associates 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.

###### (iv) Concession contract and percentage of completion

The Group provides construction services in exchange for the right to operate the airport in accordance with the concession agreements. As described in Note 2.4(ac) IC Service Concession Arrangement, the Group recognises the revenues and costs in accordance to MFRS 15 by reference to the stage of completion of the construction activity. The date of completion is measured by reference to the construction costs incurred for work performed to date to the estimated total costs for the contract.

###### (v) Mark-up rate for the construction

The airport operations right in exchange for the construction services provided is recognised at the fair value of the consideration receivable for the construction services delivered. The fair value of the consideration receivable for the construction services delivered is calculated by including certain mark-up, estimated to reflect a margin consistent with other similar construction work where possible, on the actual costs incurred. No mark-up in current year for construction project in ISG as disclosed in Note 3.

###### (vi) 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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

##### (b) Key sources of estimation uncertainty (cont'd.)

##### (vi) Concession liabilities (cont'd.)

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 RM69,000 or lower by RM97,000 respectively.

##### (ii) Airport Facilities Agreement relating to chilled water utilities at KLIA pursuant to the Operating Agreement payable to service provider

5.5% per annum over the period of 20 years ended 2018. 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 RM78,000 or lower by RM73,000, respectively.

##### (iii) 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 RM1,964,000 or lower by RM1,934,000, respectively.

##### (vii) 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 year, 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%.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 3. REVENUE

Revenue comprise of the following:

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000
Revenue from contracts with customers (i)	4,851,702	4,651,287	-	-
Revenue from other source:				
- dividend income from subsidiaries	-	-	345,000	254,000
	4,851,702	4,651,287	345,000	254,000

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

	For the year ended 31 December 2018		
	Malaysia RM'000	Overseas RM'000	Total RM'000
<b>Airport operations:</b>			
- 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	786,722	472,475	1,259,197
- Construction revenue*	-	65,557	65,557
- Duty free and non-dutiable goods	831,299	-	831,299
<b>Non-airport operations:</b>			
- 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
<b>Total revenue from contracts with customers</b>	<b>3,548,469</b>	<b>1,303,233</b>	<b>4,851,702</b>
<b>Timing of revenue recognition</b>			
- at a point in time	3,535,360	1,154,101	4,689,461
- over time	13,109	149,132	162,241
<b>Total revenue from contracts with customers</b>	<b>3,548,469</b>	<b>1,303,233</b>	<b>4,851,702</b>

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**3. REVENUE (CONT'D.)**

	For the year ended 31 December 2017 (Restated)		
	Malaysia RM'000	Overseas RM'000	Total RM'000
<b>Airport operations:</b>			
- Airport services:			
- Aeronautical	1,778,452	564,199	2,342,651
Less: Airline incentives	(89,026)	-	(89,026)
	1,689,426	564,199	2,253,625
- Non-aeronautical	734,637	454,879	1,189,516
- Construction revenue*	-	57,905	57,905
- Duty free and non-dutiable goods	853,679	-	853,679
<b>Non-airport operations:</b>			
- Agriculture and horticulture	38,162	-	38,162
- Hotel operations	94,457	8,694	103,151
- Project and repair maintenance	17,694	137,555	155,249
<b>Total revenue from contracts with customers</b>	<b>3,428,055</b>	<b>1,223,232</b>	<b>4,651,287</b>
<b>Timing of revenue recognition</b>			
- at a point in time	3,410,361	1,085,677	4,496,038
- over time	17,694	137,555	155,249
<b>Total revenue from contracts with customers</b>	<b>3,428,055</b>	<b>1,223,232</b>	<b>4,651,287</b>

Included in aeronautical revenue is income from MARCS of RM119,299,000 (2017: RM168,030,000).

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

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**4. OTHER INCOME**

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest income:				
- Unquoted investments	1,780	4,049	1,132	962
- Employee loans	1,280	1,379	-	-
- Other loans and receivables	46,995	38,122	1,812	2,629
Gain on financial instruments at fair value through profit or loss	1,222	186	-	-
Investment income:				
Fair value through profit or loss				
- quoted in Malaysia	33,917	21,293	6,793	4,045
- unquoted outside Malaysia	9,799	10,826	-	-
Unquoted short-term investments	10,422	9,293	2,224	1,237
Rental income:				
- Minimum lease payments	10,582	9,940	-	-
Gain on disposal of unquoted equity shares (Note 17)	28,178	-	-	-
Unrealised gain on fair value on financial assets at fair value through profit or loss	258,399	-	-	-
Net realised foreign exchange gain	2,313	3,372	824	80
Management fee charged to subsidiaries	-	-	187,769	141,513
Recoupment of expenses	109,287	90,519	205,149	208,475
Miscellaneous	32,871	41,956	25,530	19,909
	547,045	230,935	431,233	378,850

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**5. EMPLOYEE BENEFITS EXPENSES**

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages and salaries	509,580	488,780	99,068	90,791
Bonus	83,667	113,453	11,775	30,436
Contributions to defined contribution plans	89,821	94,849	18,707	20,485
Social security contributions	6,525	6,413	923	894
Net (writeback of)/additional provision for short-term accumulating compensated absences	(1,741)	2,560	(897)	1,295
Other employee benefits	148,233	146,089	29,260	23,223
	836,085	852,144	158,836	167,124

Included in employee benefits expenses of the Group and of the Company are executive director's remuneration amounting to RM1,592,000 (2017: RM1,777,000) and RM1,592,000 (2017: RM1,777,000), respectively as further disclosed in Note 8.

**6. FINANCE COSTS**

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Interest expense on:				
- concession payables and borrowings	233,023	241,105	147,649	150,975
- financial liabilities	499,722	472,966	-	4,504
Loss from derivative financial instruments	12,846	6,543	-	-
	745,591	720,614	147,649	155,479

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 7. PROFIT BEFORE TAX AND ZAKAT

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

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Non-executive directors' remuneration excluding benefits-in-kind (Note 8)	3,047	2,747	2,346	2,285
Auditors' remuneration:				
- statutory				
- auditors of the Company (Malaysia operations)	914	608	344	108
- auditors of the Company (Overseas operations)	466	435	-	-
- other auditors (other than Ernst & Young)	12	22	12	22
- other services				
- auditors of the Company	1,294	671	1,072	631
User Fee expenses	417,619	391,780	-	-
Rental expenses	133,973	131,413	4,927	5,419
Depreciation of property, plant and equipment (Note 13)	59,130	61,717	15,883	16,105
Amortisation of:				
- land use rights (Note 14)	108	107	-	-
- intangible assets (Note 15)	828,241	819,000	-	-
Property, plant and equipment written off (Note 13)	1,072	4,020	827	-
Intangible assets written off (Note 15)	8,797	13,507	-	-
(Gain)/loss on disposal of property, plant and equipment	(8)	3	-	-
Reversal of allowance for property, plant and equipment (Note 13)	-	(1,391)	-	-
Net allowance/(writeback) of doubtful debts (Note 21)	18,035	38,220	(5,200)	(171)
Inventories written off	3,410	3,730	-	-
Bad debts written off	9,128	413	5,502	-
Utility charges	387,593	334,317	2,696	1,327
Repair and maintenance costs	363,594	352,460	10,722	11,254
Legal and other professional fees	41,007	34,625	16,411	21,953

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

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

User Fee expenses amounting to RM417,619,000 (2017: RM391,780,000) relate to payments made to the GoM for operating rights. User Fee rates range from 11.65% to 11.89% (2017: 11.27% to 11.55%) and are calculated on gross revenues of the Group from activities carried out at KLIA and Designated Airports excluding reimbursements, interest income, recovery of bad debts or inter-company transactions.

**8. DIRECTORS' REMUNERATION**

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Executive director's remuneration (Note 5):				
- Other emoluments	1,592	1,777	1,592	1,777
Non-executive directors' remuneration (Note 7):				
- Fees	1,667	1,381	1,111	1,112
- Other emoluments	1,380	1,366	1,235	1,173
	3,047	2,747	2,346	2,285
Total directors' remuneration	4,639	4,524	3,938	4,062
Estimated money value of benefits-in-kind	244	181	244	181
Total directors' remuneration including benefits-in-kind	4,883	4,705	4,182	4,243



## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Executive:				
- Salaries and other emoluments	994	1,125	994	1,125
- Bonus	423	394	423	394
- Defined contribution plans	175	258	175	258
- Estimated money value of benefits-in-kind	87	44	87	44
	1,679	1,821	1,679	1,821
Non-executive:				
- Fees	1,667	1,381	1,111	1,112
- Other emoluments	1,380	1,366	1,235	1,173
- Estimated money value of benefits-in-kind	157	137	157	137
	4,883	4,705	4,182	4,243

Included in the Group non-executive directors' fees and other emoluments were the subsidiaries directors' fees and other emoluments of RM556,000 (2017: RM269,000) and RM145,000 (2017: RM193,000), 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	
	2018	2017
<b>Executive director:</b>		
RM1,650,001 – RM1,700,000	1	-
RM1,700,001 – RM1,750,000	-	-
RM1,750,001 – RM1,850,000	-	1
<b>Non-executive directors:</b>		
Less than RM50,000	4	4
RM50,001 – RM100,000	1	1
RM100,001 – RM150,000	-	2
RM150,001 – RM200,000	1	3
RM200,001 – RM250,000	4	3
RM250,001 – RM300,000	3	2
RM300,001 – RM350,000	-	1
RM350,001 – RM400,000	1	-

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**9. TAXATION AND ZAKAT**

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Current income tax:				
- Malaysian income tax	83,160	147,770	-	407
- Foreign tax	8,056	4,301	-	-
- (Over)/under provision of income tax in prior years	(107,232)	544	(407)	1,303
	(16,016)	152,615	(407)	1,710
Deferred tax (Note 23):				
- Relating to origination and reversal of temporary differences	(97,619)	(31,232)	352	607
- Under/(over) provision of deferred tax in prior years	161,316	(27,412)	-	559
	63,697	(58,644)	352	1,166
	47,681	93,971	(55)	2,876
Income tax expense/(credit)	47,681	93,971	(55)	2,876
Zakat	5,608	4,450	-	-
Total income tax expense/(credit) and zakat	53,289	98,421	(55)	2,876

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 9. TAXATION AND ZAKAT (CONT'D.)

#### Reconciliation between tax expense/(credit) and accounting profit

The reconciliations between tax expense/(credit) and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 are as follows:

	2018 RM'000	2017 RM'000 Restated
<b>Group</b>		
Profit before tax and zakat	780,592	338,790
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	187,342	81,310
Different tax rates in other countries	(2,350)	2,605
Tax effects of shares of results of associates and joint ventures	(7,228)	(4,950)
Income not subject to tax	(95,918)	(9,244)
Expenses not deductible for tax purposes	83,489	57,743
Deferred tax asset recognised on investment tax allowances	(130,357)	(16,800)
Deferred tax assets not recognised in respect of current year's tax losses, unabsorbed capital allowances and other deductible temporary differences	2,148	10,175
Utilisation of previously unrecognised tax losses, unabsorbed capital allowances and investment tax allowances	(43,529)	-
(Over)/under provision of income tax in prior years	(107,232)	544
Under/(over) provision of deferred tax in prior years	161,316	(27,412)
Income tax expense for the year	47,681	93,971
<b>Company</b>		
Profit before tax and zakat	381,628	215,216
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	91,591	51,652
Income not subject to tax	(104,161)	(66,886)
Expenses not deductible for tax purposes	12,794	6,488
Utilisation of previously unrecognised unabsorbed capital allowances	(2,003)	-
Deferred tax assets not recognised in respect of current year's unabsorbed capital allowances	2,131	9,760
(Over)/under provision of income tax in prior years	(407)	1,303
Underprovision of deferred tax in prior years	-	559
Income tax (credit)/expense for the year	(55)	2,876

Current income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year.

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

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**9. TAXATION AND ZAKAT (CONT'D.)**

Deferred tax assets of the Group has not been recognised in respect of the following items:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unutilised tax losses	146,855	144,641	34,243	25,361
Unabsorbed capital allowances	31,172	39,447	31,097	39,445
Investment allowance	-	166,334	-	-
Other deductible temporary differences	-	24	-	-
	178,027	350,446	65,340	64,806

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.

**10. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR DISPOSAL**

Sama-Sama Hospitality Management Sdn. Bhd. (SSHM) has been dissolved pursuant to Section 490 and 491 of the Companies Act, 2016 on 16 April 2018. The dissolution has no financial impact to the financial results of the Group.

**11. 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	
	2018 RM'000	2017 RM'000 Restated
Profit attributable to Owners of the Company	727,303	239,757
Distribution to Perpetual Sukuk holders	(57,500)	(57,500)
Net profit attributable to Owners of the Company	669,803	182,257

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**11. EARNINGS PER SHARE (CONT'D.)****(a) Basic (cont'd.)**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
Weighted average number of ordinary shares in issue ('000)	1,659,192	1,659,192
	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>sen</b>	<b>sen</b>
		<b>Restated</b>
Basic earnings per share for:		
- Basic, for profit for the year	40.37	10.98

**(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 between the current financial year end and the date of the report.

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**12. DIVIDENDS**

	Dividends in respect of year		Dividends recognised in year	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Recognised during the year:</b>				
Interim dividend for 2018:				
on 1,659,191,829 ordinary shares				
- single-tier 5 sen, per ordinary share	82,960	-	82,960	-
Final dividend for 2017:				
on 1,659,191,829 ordinary shares				
- single-tier 8 sen, per ordinary share	-	132,735	132,735	-
Interim dividend for 2017:				
on 1,659,191,829 ordinary shares				
- single-tier 5 sen, per ordinary share	-	82,960	-	82,960
Final dividend for 2016:				
on 1,659,191,829 ordinary shares				
- single-tier 6 sen, per ordinary share	-	-	-	99,552
<b>Proposed for approval at forthcoming Annual General Meeting (not recognised as at 31 December 2018):</b>				
Final dividend for 2018:				
on 1,659,191,829 ordinary shares				
- single-tier 9 sen, per ordinary share	149,327	-	-	-
	232,287	215,695	215,695	182,512

**Dividend paid during current financial year**

A single-tier final dividend of 8 sen per ordinary share in respect of the financial year ended 31 December 2017 was approved by the Shareholders at its Annual General Meeting held on 5 May 2018. The final dividend amounting to RM132,735,346 was paid on 6 June 2018.

A single-tier interim dividend of 5 sen per ordinary share in respect of the financial year ended 31 December 2018 was declared on 28 August 2018. The interim dividend amounting to RM82,959,591 was paid in full on 28 September 2018.

**Proposed Final Dividend**

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2018, of 9 sen on 1,659,191,829 ordinary shares on single-tier basis, with a total quantum of RM149,327,265 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 2019.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

## 13. 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, crocery, glassware, cutlery and linen RM'000	Plantation development expenditure RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Group</b>								
<b>At 31 December 2018</b>								
<b>Cost</b>								
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
<b>Accumulated depreciation and impairment</b>								
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
<b>Net carrying amount</b>	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 2018

**13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)**

	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
						Restated		Restated
<b>Group</b>								
<b>At 31 December 2017</b>								
<b>Cost</b>								
At 1 January 2017	196,496	120,724	28,298	437,465	27,202	102,573	44,908	957,666
Additions	190	-	547	12,197	12	4,804	15,270	33,020
Disposals	-	-	-	(26)	-	-	-	(26)
Written off	(1,991)	-	(328)	(6,699)	(748)	-	-	(9,766)
Transfers	361	-	1,705	12,883	2,587	(785)	(16,751)	-
Foreign currency translation	5	-	(90)	(26)	-	-	-	(111)
At 31 December 2017	195,061	120,724	30,132	455,794	29,053	106,592	43,427	980,783
<b>Accumulated depreciation and impairment</b>								
At 1 January 2017	50,564	60,689	16,309	322,782	20,194	35,883	2,890	509,311
Charge for the year (Note 7)	4,521	4,209	1,819	44,934	2,761	3,473	-	61,717
Disposals	-	-	-	(11)	-	-	-	(11)
Written off	(506)	-	(90)	(4,672)	(478)	-	-	(5,746)
Reversal of allowance for impairment (Note 7)	(568)	-	(238)	(585)	-	-	-	(1,391)
Foreign currency translation	3	-	(83)	(100)	-	-	-	(180)
At 31 December 2017	54,014	64,898	17,717	362,348	22,477	39,356	2,890	563,700
Analysed as:								
Accumulated depreciation	52,823	64,898	8,207	340,442	22,477	39,356	-	528,203
Accumulated impairment loss	1,191	-	9,510	21,906	-	-	2,890	35,497
	54,014	64,898	17,717	362,348	22,477	39,356	2,890	563,700
<b>Net carrying amount</b>	<b>141,047</b>	<b>55,826</b>	<b>12,415</b>	<b>93,446</b>	<b>6,576</b>	<b>67,236</b>	<b>40,537</b>	<b>417,083</b>



**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**13. 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
<b>Company</b>					
<b>At 31 December 2018</b>					
<b>Cost</b>					
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
<b>Accumulated depreciation and impairment</b>					
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
<b>Net carrying amount</b>	<b>20,056</b>	<b>922</b>	<b>21,043</b>	<b>38,700</b>	<b>80,721</b>
<b>At 31 December 2017</b>					
<b>Cost</b>					
At 1 January 2017	32,826	2,200	116,766	16,592	168,384
Additions	-	547	1,906	11,588	14,041
Transfers	-	-	(83)	-	(83)
At 31 December 2017	32,826	2,747	118,589	28,180	182,342
<b>Accumulated depreciation and impairment</b>					
At 1 January 2017	10,093	1,529	82,837	394	94,853
Charge for the year (Note 7)	946	151	15,008	-	16,105
Transfers	-	-	(83)	-	(83)
At 31 December 2017	11,039	1,680	97,762	394	110,875
<b>Net carrying amount</b>	<b>21,787</b>	<b>1,067</b>	<b>20,827</b>	<b>27,786</b>	<b>71,467</b>

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 RM256,136,000 (2017: RM223,999,000) and RM79,497,000 (2017: RM61,347,000), respectively.

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**14. LAND USE RIGHTS**

	Group	
	2018 RM'000	2017 RM'000
<b>Net carrying amount</b>		
At 1 January	7,034	7,141
Amortisation during the year (Note 7)	(108)	(107)
At 31 December	6,926	7,034
<b>Analysed as:</b>		
Short-term land use rights	1,433	1,469
Long-term land use rights	5,493	5,565
	6,926	7,034

**15. INTANGIBLE ASSETS**

	Concession rights RM'000	Terminal building, plant and infrastructures RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Group</b>				
<b>At 31 December 2018</b>				
<b>Cost</b>				
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 (to) /from 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
<b>Accumulated amortisation</b>				
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
<b>Net carrying amount</b>	8,646,517	7,609,119	509,358	16,764,994

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**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
<b>Group</b>				
<b>At 31 December 2017</b>				
<b>Cost</b>				
At 1 January 2017	10,620,377	10,669,544	409,898	21,699,819
Additions	530,759	32,670	218,735	782,164
Written off	-	(10,217)	(12,345)	(22,562)
Transfers	-	89,602	(89,602)	-
Foreign currency translation	219,430	56,882	-	276,312
At 31 December 2017	11,370,566	10,838,481	526,686	22,735,733
<b>Accumulated amortisation</b>				
At 1 January 2017	1,711,506	2,757,341	-	4,468,847
Charge for the year (Note 7)	401,875	417,125	-	819,000
Written off	-	(9,055)	-	(9,055)
Foreign currency translation	30,231	17,072	-	47,303
At 31 December 2017	2,143,612	3,182,483	-	5,326,095
<b>Net carrying amount</b>	<b>9,226,954</b>	<b>7,655,998</b>	<b>526,686</b>	<b>17,409,638</b>

Included in the cost of intangible assets of the Group is cost of fully depreciated intangible assets which are still in use amounting to RM556,737,000 (2017: RM546,599,000).

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 2018

**16. INVESTMENTS IN SUBSIDIARIES**

	<b>Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares at cost	1,962,902	1,943,696
Additional investment in subsidiaries	312,000	19,206
Dissolution of subsidiaries	(3)	-
	<b>2,274,899</b>	<b>1,962,902</b>

During the year, the Company has made additional equity injection of ordinary shares in the following subsidiaries:

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

<b>Name of company</b>	<b>Country of incorporation</b>	<b>Issued and paid-up capital RM</b>	<b>Proportion of ownership interest held</b>		<b>Principal activities</b>
			<b>2018 %</b>	<b>2017 %</b>	
Malaysia Airports Sdn. Bhd. (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. (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. (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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 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
			2018 %	2017 %	
Malaysia Airports Consultancy Services Sdn. Bhd. (MACS) (375245-X)	Malaysia	500,002	100	100	Provision of maintenance and technical services in connection with the airport industry.
Malaysia Airports (Properties) Sdn. Bhd. (MAP) (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. (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. (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. (512262-H)	Malaysia	1,150,002	100	100	Operations and maintenance services and Information and Communication Technology business ventures.
Malaysia Airports (Mauritius) Pte. Ltd. <sup>a</sup>	Mauritius	USD1,000	100	100	Investment holding.

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**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
			2018 %	2017 %	
MAHB (Mauritius) Pte. Ltd. <sup>(a)</sup>	Mauritius	USD2	100	100	Investment holding.
Eraman (Malaysia) Sdn. Bhd. (324329-K)	Malaysia	2	100	100	Dormant. Intended principal activity is general trading.
Malaysia International Aerospace Centre Sdn. Bhd. (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.
Airport Ventures Sdn. Bhd. (512527-U)	Malaysia	2	100	100	Investment holding.
Malaysia Airports MSC Sdn. Bhd. (MAMSC) (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. (459878-D)	Malaysia	750,000	100	100	Provision of mechanical, electrical and civil engineering services.
Malaysia Airports Capital Berhad (906593-U)	Malaysia	2	100	100	Investment holding.

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**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
			2018 %	2017 %	
Malaysia Airports Capital (Labuan) Ltd. ^ (LL07679)	Malaysia	USD2	-	100	Voluntary winding up.
MA Construction (Labuan) Private Limited ^ (LL08348)	Malaysia	USD1,000	-	100	Voluntary winding up.
Malaysia Airports Consultancy Services Middle East LLC @^^ (62645)	Qatar	QAR200,000	49	49	Facilities maintenance services at airports.
Sama-Sama Hospitality Management Sdn. Bhd. (SSHM) ^^^ (1029991-A)	Malaysia	100	-	51	Ceased operation.
Malaysia Airports Cities Sdn. Bhd. (MA Cities) (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.

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**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
			2018 %	2017 %	
LGM Havalimani Isletmeleri Ticaret ve Turizm A.S. * <sup>a</sup> (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.
KLIA Aeropolis Sdn. Bhd. (KASB) (1212392-H)	Malaysia	101	100	100	Investment holding.
Malaysia Airports International Sdn. Bhd. (1220825-V)	Malaysia	2	100	100	Investment holding.
MA Elogistics Sdn. Bhd. (MA Elogistics) (1253685-H)	Malaysia	62,000,100	100	100	Investment holding.
Malaysia Airports (Subang) Sdn. Bhd. * (1306743-H)	Malaysia	100	100	-	Undertake all business relating to Subang Airport Regeneration.



## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 16. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

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

\* Effective interest held in each subsidiary through:

	2018	2017
Company	20%	20%
MAMSC	40%	40%
MA Cities	40%	40%
	100%	100%

\*\* Investment in ISG with carrying amount of RM676,356,000 (2017: RM692,085,000) is pledged to financial institutions for credit facilities granted to the subsidiary as disclosed in Note 31(c).

^ Malaysia Airports Capital (Labuan) Ltd. and MA Construction (Labuan) Private Limited have been dissolved pursuant to Section 131A of Labuan Companies Act 1990.

^^ 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.

^^^ Sama-Sama Hospitality Management Sdn. Bhd. (SSHM) has been dissolved pursuant to Section 490 and 491 of the Companies Act 2016 on 16 April 2018. The dissolution has no financial impact to the statements of profit or loss in the current financial year.

+ Malaysia Airports (Subang) Sdn. Bhd. was incorporated on 7 December 2018 and is a wholly owned subsidiary of MAHB.

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**17. INVESTMENTS IN ASSOCIATES**

		<b>Group</b>	
		<b>2018</b>	<b>2017</b>
		<b>RM'000</b>	<b>RM'000</b>
<hr/>			
Unquoted shares at cost:			
- outside Malaysia		-	34,268
- in Malaysia		88,640	26,640
	(a)	88,640	60,908
Share of post-acquisition reserve	(b)	25,143	65,723
Impairment of investment		-	(81,669)
		113,783	44,962
<hr/>			
Analysed as:			
(a) Unquoted shares at cost:			
At 1 January		60,908	57,908
Additional investment		62,000	3,000
Disposal of investment		(34,268)	-
At 31 December		88,640	60,908
(b) Share of post-acquisition reserve:			
At 1 January		65,723	59,922
Share of results		12,821	5,801
Distribution of profits		(6,000)	-
Disposal of investment		(47,401)	-
At 31 December		25,143	65,723

**GMR Male International Airport Limited (GMIAL)**

On 14 March 2018, 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 of 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). As of the reporting date, all economic rights, title and benefits have been transferred to the purchaser. On 10 January 2019, the directors approved a six-month extension period for GMR Holdings to settle the purchase consideration. The carrying value of this investment is NIL as the directors had made full impairment on this investment in previous years. The gain on the disposal recognised in the statements of profit or loss is equivalent to the cash consideration.

**Cainiao KLIA Aeropolis Sdn. Bhd. (Cainiao KLIA Aeropolis)**

During the year, the Group had made an additional investment in Cainiao KLIA Aeropolis amounting to RM62,000,000. The additional investment did not result in any changes to the shareholding.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 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
			2018 %	2017 %		
<b>Held through a subsidiary:</b>						
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.
GMR Male International Airport Private Limited ^^^	Republic of Maldives	USD30,050,094	-	23	31 December	Operation, management and development and provision of airport related services. However, the entity has ceased operations.

\* On 2 November 2017, MA Elogistics Sdn. Bhd., a subsidiary of the Group has entered into a Shareholders' Agreement with Cainiao Smart Logistics Network (Hong Kong) Ltd. (Cainiao HK), to participate in an associate company under the name of Cainiao KLIA Aeropolis Sdn. Bhd.. Accordingly, the first set of financial statements was prepared for the period ended 31 December 2018.

^ Audited by KPMG KL

^^ Audited by Deloitte PLT

^^^ Audited by KPMG Maldives

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 17. INVESTMENTS IN ASSOCIATES (CONT'D.)

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

	Group							
	2018			2017				
	KAF RM'000	MFMA RM'000	Aeropolis RM'000	Cainiao KLIA Total RM'000	KAF RM'000	MFMA RM'000	GMR Male RM'000	Total RM'000
<b>Assets and liabilities</b>								
Current assets	35,819	41,727	84,816	162,362	24,903	29,444	-	54,347
Non-current assets	166,066	244,040	124,576	534,682	192,157	228,721	-	420,878
Current liabilities	(30,841)	(181,067)	(3,169)	(215,077)	(29,954)	(184,516)	-	(214,470)
Non-current liabilities	(56,896)	-	-	(56,896)	(75,267)	-	-	(75,267)
<b>Equity</b>	114,148	104,700	206,223	425,071	111,839	73,649	-	185,488
<b>Results</b>								
Revenue	64,086	70,099	-	134,185	64,874	54,623	-	119,497
Cost of sales	(22,322)	(27,349)	-	(49,671)	(23,717)	(21,731)	-	(45,448)
Other income	26,901	5,796	1,429	34,126	1,401	55,384	-	56,785
Administrative expenses	(23,920)	(21,063)	(1,872)	(46,855)	(17,339)	(77,430)	-	(94,769)
Finance costs	(2,724)	-	-	(2,724)	(3,405)	-	-	(3,405)
<b>Profit before tax for the year</b>	42,021	27,483	(443)	69,061	21,814	10,846	-	32,660
Income tax	(9,532)	(5,961)	-	(15,493)	(5,477)	(2,400)	-	(7,877)
<b>Profit for the year</b>	32,489	21,522	(443)	53,568	16,337	8,446	-	24,783
<b>Group's share of profit for the year</b>	6,498	6,456	(133)	12,821	3,267	2,534	-	5,801
<b>Cost of investment of the Group</b>	600	26,040	62,000	88,640	600	26,040	-	26,640

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 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									
	2018					2017				
	KAF RM'000	MFMA RM'000	Aeropolis RM'000	KLIA RM'000	Cainiao Total RM'000	KAF RM'000	MFMA RM'000	GMR Male RM'000	Total RM'000	Total RM'000
Proportion of net assets at date of recognition	20%	30%	30%	-	-	20%	30%	23%	-	-
Carrying amount at beginning of the financial year	22,232	22,730	-	-	44,962	18,965	17,196	-	-	36,161
Share of net results for the financial year	6,498	6,456	(133)	-	12,821	3,267	2,534	-	-	5,801
Additional investment	-	-	62,000	-	62,000	-	3,000	-	-	3,000
Distribution of profits	(6,000)	-	-	-	(6,000)	-	-	-	-	-
Carrying amount at the end of the financial year	22,730	29,186	61,867	113,783	22,232	22,730	-	-	-	44,962

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**18. INVESTMENTS IN JOINT VENTURES**

		Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unquoted shares at cost:					
- in Malaysia	(a)	53,718	53,718	53,718	53,718
Share of post-acquisition reserve	(b)	43,100	38,313	-	-
		96,818	92,031	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		38,313	29,002	-	-
Share of results		17,297	14,824	-	-
Distribution of profits		(12,510)	(5,513)	-	-
At 31 December		43,100	38,313	-	-

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
			2018 %	2017 %		
<b>Held by the Company:</b>						
Segi Astana Sdn. Bhd. (SASB)*	Malaysia	106,060,000	30	30	31 December	Development, management and operation of property.
Airport Cooling Energy Supply Sdn. Bhd. (ACES)**^	Malaysia				31 December	Development, management and operation 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 2018

### 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 the strategic decisions and operations of these companies pursuant to the shareholders agreements.

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

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

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

	Group					
	2018			2017		
	SASB RM'000	ACES RM'000	Total RM'000	SASB RM'000	ACES RM'000	Total RM'000
<b>Assets and liabilities</b>						
Current assets	115,331	66,791	182,122	119,619	64,658	184,277
Non-current assets	550,794	358,986	909,780	569,621	368,122	937,743
Current liabilities	(48,220)	(39,500)	(87,720)	(146,512)	(38,894)	(185,406)
Non-current liabilities	(461,253)	(172,437)	(633,690)	(389,983)	(194,464)	(584,447)
<b>Equity</b>	<b>156,652</b>	<b>213,840</b>	<b>370,492</b>	<b>152,745</b>	<b>199,422</b>	<b>352,167</b>
<b>Results</b>						
Revenue	127,224	74,588	201,812	121,613	76,455	198,068
Cost of sales	(31,453)	(19,658)	(51,111)	(29,628)	(17,820)	(47,448)
Other income	11,797	1,310	13,107	11,763	1,158	12,921
Administrative expenses	(37,323)	(1,492)	(38,815)	(40,218)	(2,391)	(42,609)
Finance costs	(27,562)	(9,579)	(37,141)	(30,206)	(11,187)	(41,393)
<b>Profit before tax for the year</b>	<b>42,683</b>	<b>45,169</b>	<b>87,852</b>	<b>33,324</b>	<b>46,215</b>	<b>79,539</b>
Income tax	(12,205)	(9,715)	(21,920)	(9,557)	(12,764)	(22,321)
<b>Profit for the year</b>	<b>30,478</b>	<b>35,454</b>	<b>65,932</b>	<b>23,767</b>	<b>33,451</b>	<b>57,218</b>
<b>Group's share of profit for the year</b>	<b>9,143</b>	<b>8,154</b>	<b>17,297</b>	<b>7,130</b>	<b>7,694</b>	<b>14,824</b>
<b>Cost of investment of the Group</b>	<b>31,818</b>	<b>21,900</b>	<b>53,718</b>	<b>31,818</b>	<b>21,900</b>	<b>53,718</b>



## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 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					
	2018			2017		
	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	45,714	46,317	92,031	38,584	44,136	82,720
Share of net results for the financial year	9,143	8,154	17,297	7,130	7,694	14,824
Distribution of profits	(7,955)	(4,555)	(12,510)	-	(5,513)	(5,513)
Carrying amount at the end of the financial year	46,902	49,916	96,818	45,714	46,317	92,031

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	Group		
	2018 RM'000	2017 RM'000 Restated	1.1.2017 RM'000 Restated
<b>Current</b>			
Quoted unit trust in Malaysia at fair value	1,303,715	1,167,589	635,019
<b>Non-current</b>			
Quoted bonds in Malaysia at fair value	8,089	8,000	5,000
Quoted unit trust in Malaysia at fair value	30,678	102,533	185,958
Unquoted shares at fair value outside Malaysia*	314,806	39,165	43,517
	353,573	149,698	234,475
<b>Total</b>	1,657,288	1,317,287	869,494

Unquoted shares of RM216,994,000 (2017: RM213,852,000) 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. Therefore, MAHB and MAHB (Mauritius) Private Limited shall remain as shareholders of GHIAL accordingly. On 4 January 2019, GMR Infrastructure Limited, the holding company of GMR Airports, has announced to the National Stock Exchange of India Limited that discussions are underway to enter into an updated agreement on this Proposed Disposal. Accordingly, both MAHB and GMR Airports are currently in discussion on the Proposed Disposal.

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

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

	Company		
	2018 RM'000	2017 RM'000 Restated	1.1.2017 RM'000 Restated
<b>Current</b>			
Quoted unit trust in Malaysia at fair value	480,696	428,477	198,703
<b>Non-current</b>			
Quoted bonds in Malaysia at fair value	8,089	8,000	5,000
Quoted unit trust in Malaysia at fair value	28,035	99,894	183,416
	36,124	107,894	188,416
<b>Total</b>	<b>516,820</b>	<b>536,371</b>	<b>387,119</b>

**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 2018

**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 the market approach, by comparing the transaction price paid for identical or a similar financial instrument in an investee.

**(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	RM'000
<b>Group</b>			
<b>As at 31 December 2018</b>			
<b>Financial assets at FVTPL (Note 19)</b>			
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

Note: The accounting policy for determining when transfers between levels of the fair value hierarchy occurred is disclosed in Notes 2.4(e). There were no transfers between Level 1, Level 2 and Level 3 for the Group and Company during the financial year ended 31 December 2018.

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**20. FAIR VALUE MEASUREMENT (CONT'D.)****(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)**

	Total RM'000	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
<b>Group (cont'd.)</b>				
<b>As at 31 December 2017 (restated)</b>				
<b>Financial assets at FVTPL (Note 19)</b>				
Quoted bond	8,000	-	8,000	-
Quoted unit trust	1,270,122	-	1,270,122	-
Unquoted equity shares	39,165	-	-	39,165
	1,317,287	-	1,278,122	39,165

**As at 1 January 2017 (restated)****Financial assets at FVTPL (Note 19)**

Quoted bond	5,000	-	5,000	-
Quoted unit trust	820,977	-	820,977	-
Unquoted equity shares	43,517	-	-	43,517
	869,494	-	825,977	43,517

**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	
			2018 RM'000	2017 RM'000
Offer price	N/A	N/A	314,806	-
Net adjusted asset	N/A	N/A	-	39,165

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**20. FAIR VALUE MEASUREMENT (CONT'D.)****(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)**

	Fair value measurement using			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RM'000	RM'000	RM'000	RM'000
<b>Company</b>				
<b>As at 31 December 2018</b>				
<b>Financial assets at FVTPL (Note 19)</b>				
Quoted bond	8,089	-	8,089	-
Quoted unit trust	508,731	-	508,731	-
	516,820	-	516,820	-
<b>As at 31 December 2017 (restated)</b>				
<b>Financial assets at FVTPL (Note 19)</b>				
Quoted bond	8,000	-	8,000	-
Quoted unit trust	528,371	-	528,371	-
	536,371	-	536,371	-
<b>As at 1 January 2017 (restated)</b>				
<b>Financial assets at FVTPL (Note 19)</b>				
Quoted bond	5,000	-	5,000	-
Quoted unit trust	382,119	-	382,119	-
	387,119	-	387,119	-

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**20. FAIR VALUE MEASUREMENT (CONT'D.)****(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	2018 RM'000	2017 RM'000 Restated
<b>Group</b>			
At 1 January		39,165	43,517
Unrealised gains recognised in income statements	4	258,399	-
Foreign currency translation		17,242	(4,352)
At 31 December		314,806	39,165

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**21. TRADE AND OTHER RECEIVABLES**

	<b>Group</b>		
	<b>2018</b> <b>RM'000</b>	<b>2017</b> <b>RM'000</b> <b>Restated</b>	<b>1.1.2017</b> <b>RM'000</b> <b>Restated</b>
<b>Current</b>			
<b>Trade receivables</b>			
Third parties	560,444	465,751	499,813
Due from GoM	51,705	148,252	167,720
Accrued revenue	163,962	131,431	158,264
	776,111	745,434	825,797
Less: Allowance for doubtful debts			
Third parties	(180,134)	(150,322)	(118,056)
Trade receivables, net	595,977	595,112	707,741
<b>Other receivables</b>			
Due from GoM	422,313	77,736	37,736
Employee loans (Note 22)	3,516	3,600	3,572
Deposits	15,929	13,798	10,536
Prepayments	22,674	29,580	27,489
Sundry receivables	240,028	67,873	64,516
	704,460	192,587	143,849
Less: Allowance for doubtful debts	(16,906)	(29,171)	(23,192)
Other receivables, net	687,554	163,416	120,657
	1,283,531	758,528	828,398



**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

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

	Group		
	2018 RM'000	2017 RM'000 Restated	1.1.2017 RM'000 Restated
<b>Non-current</b>			
<b>Trade receivable</b>			
Third parties	71	48,536	205
<b>Other receivables</b>			
Due from GoM	-	328,654	349,191
Sundry receivables	37,515	61,078	61,715
	37,515	389,732	410,906
	37,586	438,268	411,111
Total trade and other receivables (current and non-current)	1,321,117	1,196,796	1,239,509
Add: Cash and cash equivalents (Note 26)	1,450,471	1,293,391	937,008
Less: Prepayments	(22,674)	(29,580)	(27,489)
Total loans and receivables	2,748,914	2,460,607	2,149,028

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

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

	<b>Company</b>		
	<b>2018</b> <b>RM'000</b>	<b>2017</b> <b>RM'000</b> <b>Restated</b>	<b>1.1.2017</b> <b>RM'000</b> <b>Restated</b>
<b>Current</b>			
<b>Other receivables</b>			
Due from GoM	48,258	31,559	15,320
Amounts due from subsidiaries	2,361,698	2,519,332	2,314,203
Deposits	30	68	124
Prepayments	2,819	2,111	3,319
Sundry receivables	9,859	12,908	13,554
	2,422,664	2,565,978	2,346,520
Less: Allowance for doubtful debts	(1,041)	(6,241)	(6,412)
Other receivables, net	2,421,623	2,559,737	2,340,108
<b>Non-current</b>			
<b>Other receivables</b>			
Due from GoM	-	14,886	28,496
Amounts due from a subsidiary	4,301,799	4,596,389	4,969,993
	4,301,799	4,611,275	4,998,489
Total trade and other receivables (current and non-current)	6,723,422	7,171,012	7,338,597
Add: Cash and cash equivalents (Note 26)	115,972	97,136	24,911
Less: Prepayments	(2,819)	(2,111)	(3,319)
Total loans and receivables	6,836,575	7,266,037	7,360,189

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 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	
	2018 RM'000	2017 RM'000
Neither past due nor impaired	326,179	458,258
1 to 30 days past due not impaired	44,796	22,121
31 to 60 days past due not impaired	37,788	5,373
61 to 90 days past due not impaired	31,922	14,965
91 to 120 days past due not impaired	25,002	10,861
More than 121 days past due not impaired	38,638	16,214
	178,146	69,534
Impaired	107,895	134,747
	612,220	662,539

#### 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 69% (2017: 71%) 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

The adoption of MFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing FRS 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. MFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL.

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 2018

**21. TRADE AND OTHER RECEIVABLES (CONT'D.)**Movement in allowance for doubtful debts:

	<b>Group</b>		
	<b>2018</b>	<b>2017</b>	<b>1.1.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>	<b>Restated</b>
<b>Trade receivables</b>			
At 1 January	150,322	118,056	74,256
Net (writeback)/allowance of doubtful debts for expected credit losses (Note 7)	(6,280)	(9,050)	31,624
Net allowance of doubtful debts (Note 7)	36,580	41,291	12,160
Foreign currency translation	[488]	25	16
At 31 December	180,134	150,322	118,056
<b>Other receivables</b>			
At 1 January	29,171	23,192	10,799
Net (writeback)/allowance of doubtful debts for expected credit losses (Note 7)	(4,675)	(735)	11,533
Net (writeback)/allowance of doubtful debts (Note 7)	(7,590)	6,714	860
At 31 December	16,906	29,171	23,192
<b>Company</b>			
	<b>2018</b>	<b>2017</b>	<b>1.1.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>	<b>Restated</b>
<b>Other receivables</b>			
At 1 January	6,241	6,412	6,162
Net allowance/(writeback) of doubtful debts for expected credit losses (Note 7)	151	(112)	490
Net writeback of doubtful debts (Note 7)	(5,351)	(59)	(240)
At 31 December	1,041	6,241	6,412

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 2018

### 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% (2017: 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 (2017: six) customers representing approximately 51% (2017: 54%) 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% (2017: 4.79%) per annum.

#### (c) Sundry receivables (Non-current)

Included in sundry receivables is Value Added Tax (VAT) receivable of RM29,502,000 (2017: RM55,844,000) 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 RM10,236,000 (2017: RM12,618,000) are in respect of leasing equipment for klia2.

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**21. TRADE AND OTHER RECEIVABLES (CONT'D.)****(e) Due from GoM**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Current</b>				
<b>Trade receivable</b>				
MARCS (Note 2.4(z)(iv))	51,705	148,252	-	-
<b>Other receivable</b>				
Debts assumed from a former subsidiary	116,736	77,736	48,258	31,559
Receivable on call option (Note 2.5(a)(ii))	305,577	-	-	-
	422,313	77,736	48,258	31,559
<b>Non-current</b>				
<b>Other receivables</b>				
Debts assumed from a former subsidiary	-	36,668	-	14,886
Receivable on call option (Note 2.5(a)(ii))	-	291,986	-	-
	-	328,654	-	14,886
<b>Total amount due from GoM</b>	<b>474,018</b>	<b>554,642</b>	<b>48,258</b>	<b>46,445</b>

Other information on financial risks of trade and other receivables are disclosed in Note 40.

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**22. EMPLOYEE LOANS**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Employee loans	30,301	31,311
Less: Current portion (Note 21)	(3,516)	(3,600)
Non-current portion	26,785	27,711
Analysed as:		
Current	3,516	3,600
Non-current:		
Later than 1 year but not later than 2 years	2,720	2,628
Later than 2 years but not later than 5 years	7,260	6,398
Later than 5 years	16,805	18,685
	26,785	27,711
	30,301	31,311

The employee loans attract interest rate at 4% (2017: 4%) per annum.

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**23. DEFERRED TAX (ASSETS)/LIABILITIES**

	<b>Group</b>		
	<b>2018</b> <b>RM'000</b>	<b>2017</b> <b>RM'000</b> <b>Restated</b>	<b>1.1.2017</b> <b>RM'000</b> <b>Restated</b>
At 1 January	673,462	712,440	703,375
Recognised in the statements of profit or loss (Note 9)	63,697	(58,644)	13,023
Recognised in equity	766	(103)	(5,806)
Foreign currency translation	(9,195)	19,769	1,848
<b>At 31 December</b>	<b>728,730</b>	<b>673,462</b>	<b>712,440</b>
Presented in the statements of financial position as follows:			
Deferred tax assets	(190,913)	(245,587)	(226,244)
Deferred tax liabilities	919,643	919,049	938,684
	728,730	673,462	712,440
	<b>Company</b>		
	<b>2018</b> <b>RM'000</b>	<b>2017</b> <b>RM'000</b> <b>Restated</b>	<b>1.1.2017</b> <b>RM'000</b> <b>Restated</b>
At 1 January	(352)	(1,518)	(266)
Recognised in the statements of profit or loss (Note 9)	352	1,166	(1,252)
<b>At 31 December</b>	<b>-</b>	<b>(352)</b>	<b>(1,518)</b>
Presented in the statements of financial position as follows:			
Deferred tax assets	(10,942)	(13,438)	(16,198)
Deferred tax liabilities	10,942	13,086	14,680
	-	(352)	(1,518)



## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

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

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 RM'000	Borrowings RM'000	Total RM'000
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)
			<u>919,643</u>
At 1 January 2017 (restated)	1,801,982	7,562	1,809,544
Recognised in the statements of profit or loss	100,020	3,291	103,311
Foreign currency translation	772	(192)	580
At 31 December 2017 (restated)	1,902,774	10,661	1,913,435
Less: Offset against deferred tax assets			(994,386)
			<u>919,049</u>
At 1 January 2016	1,810,499	9,588	1,820,087
Recognised in the statements of profit or loss	(13,037)	(2,021)	(15,058)
Foreign currency translation	4,520	(5)	4,515
At 31 December 2016/ 1 January 2017 (restated)	1,801,982	7,562	1,809,544
Less: Offset against deferred tax assets			(870,860)
			<u>938,684</u>



## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

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

Deferred tax assets of the Group (cont'd.):

	Investment tax allowances	Fair value of the interest swap	Unutilised tax losses and unabsorbed capital	Retirement benefits	Payables	Total
	RM'000	RM'000	allowances RM'000	RM'000	RM'000	RM'000
At 1 January 2016	(29,520)	(3,522)	(380,537)	(27)	(672,554)	(1,116,712)
Recognised in the statements of profit or loss	-	-	57,312	(14)	(16,395)	28,081
Recognised in equity	-	(5,806)	-	-	-	(5,806)
Foreign currency translation	-	(27)	1,893	(1)	(4,543)	(2,667)
At 31 December 2016/1 January 2017 (restated)	(29,520)	(9,355)	(321,332)	(42)	(693,492)	(1,097,104)
Less: Offset against deferred tax liabilities						870,860
						<u>(226,244)</u>

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

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

	<b>Property, plant and equipment RM'000</b>
At 1 January 2018	13,086
Recognised in the statements of profit or loss	(2,144)
At 31 December 2018	10,942
At 1 January 2017	14,680
Recognised in the statements of profit or loss	(1,594)
At 31 December 2017	13,086
At 1 January 2016	11,682
Recognised in the statements of profit or loss	2,998
At 31 December 2016	14,680

**Deferred tax asset of the Company:**

	<b>Receivables RM'000</b>	<b>Payables RM'000</b>	<b>Unutilised tax losses and capital allowances RM'000</b>	<b>Total RM'000</b>
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)
At 1 January 2017 (restated)	(1,539)	(5,700)	(8,959)	(16,198)
Recognised in the statements of profit or loss	41	(4,457)	7,176	2,760
At 31 December 2017 (restated)	(1,498)	(10,157)	(1,783)	(13,438)
At 1 January 2016	(1,479)	(5,690)	(4,779)	(11,948)
Recognised in the statements of profit or loss	(60)	(10)	(4,180)	(4,250)
At 31 December 2016/1 January 2017 (restated)	(1,539)	(5,700)	(8,959)	(16,198)

The availability of the unused tax losses, unabsorbed capital allowances and other deductible temporary differences for offsetting against future taxable profits of the respective subsidiaries of the Group are subject to no substantial changes in shareholdings of those subsidiaries under Section 44(5A) and (5B) of Income Tax Act, 1967.

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**24. INVENTORIES**

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Cost</b>				
Spares and consumables	36,889	31,304	13	13
Merchandise goods	90,149	108,266	-	-
Food and beverages	858	1,021	-	-
	127,896	140,591	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 RM421,343,000 (2017: RM448,977,000).

**25. BIOLOGICAL ASSETS**

	Group		
	2018 RM'000	2017 RM'000	1.1.2017 RM'000
		Restated	Restated
Fair value less cost to sell of biological assets (inventories)	1,641	2,532	3,583

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		
	2018 RM'000	2017 RM'000	1.1.2017 RM'000
		Restated	Restated
Cash on hand and at banks	412,670	378,100	272,265
Deposits with licensed banks	1,037,801	915,291	664,592
Cash and bank balances	1,450,471	1,293,391	936,857

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

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

	<b>Company</b>		
	<b>2018</b> <b>RM'000</b>	<b>2017</b> <b>RM'000</b> <b>Restated</b>	<b>1.1.2017</b> <b>RM'000</b> <b>Restated</b>
Cash on hand and at banks	102,683	64,241	12,378
Deposits with licensed banks	13,289	32,895	12,533
<b>Cash and bank balances</b>	<b>115,972</b>	<b>97,136</b>	<b>24,911</b>

Other information on financial risks of cash and cash equivalents are disclosed in Note 40.

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

	<b>Group</b>		
	<b>2018</b> <b>RM'000</b>	<b>2017</b> <b>RM'000</b> <b>Restated</b>	<b>1.1.2017</b> <b>RM'000</b> <b>Restated</b>
Cash and bank balances:			
- Continuing operations	1,450,471	1,293,391	936,857
- Discontinued operation (Note 10)	-	-	151
<b>Cash and cash equivalents</b>	<b>1,450,471</b>	<b>1,293,391</b>	<b>937,008</b>

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**27. SHARE CAPITAL**

	Number of shares	
	2018	2017
<b>Issued and fully paid:</b>		
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	
	2018 RM'000	2017 RM'000
<b>Issued and fully paid:</b>		
<u>Ordinary shares</u>		
At the beginning of financial year	5,114,341	1,659,192
Effect of implementation of the Companies Act, 2016*	-	3,455,149
At the end of financial year	5,114,341	5,114,341

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**27. SHARE CAPITAL (CONT'D.)**

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.

\* The Companies Act, 2016 which came into effect on 31 January 2017 has abolished the concept of authorised share capital.

**Share premium**

	<b>Group/Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Issued and fully paid:</b>		
At the beginning of financial year	-	3,455,149
Effect of implementation of the Companies Act, 2016	-	(3,455,149)
At the end of financial year	-	-

Share premium relates to the amount that shareholders have paid for the shares in excess of the nominal value. With the Act coming into effect on 31 January 2017, the credit standing in the share premium account of RM3,455,148,713 has been transferred to the share capital account. Pursuant to subsection 618(3) of the Act, the Company may exercise its right to use the credit amount being transferred from share premium within 24 months after the commencement of the Act.

The Company may pay/provide for:

- (a) the premium payable on redemption of debentures or redeemable preference shares issued before 31 January 2017;
- (b) writing off the preliminary expenses incurred before 31 January 2017, or expenses incurred, commissions or brokerage paid or discounts allowed, before or on 31 January 2017, for any duty, fee or tax payable on or in connection with any issue of shares of the Company;
- (c) unissued shares before 31 January 2017 as fully paid up bonus shares;
- (d) in whole or in part the balance unpaid on shares issued before 31 January 2017; or
- (e) dividends-in-specie declared before 31 January 2017.



## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 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. FAIR VALUE ADJUSTMENT RESERVE

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of financial assets until they are disposed off or impaired.

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**30. 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.

**(b) Other reserves**

	Note	Group	
		2018 RM'000	2017 RM'000
<b>Reserve arising from acquisition of non-controlling interest</b>			
As at 1 January/31 December	(i)	2,546	2,546
<b>Legal reserve</b>			
As at 1 January		4,345	4,255
Foreign currency translation		(94)	90
As at 31 December	(ii)	4,251	4,345
<b>Actuarial loss on retirement benefits</b>	(iii)	(2,812)	-
		3,985	6,891

**(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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

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

#### (b) Other reserves (cont'd.)

##### (ii) Legal reserve (cont'd.)

- (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 Communiqué 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 2018, total legal reserves in LGM amounts to EUR874,000 equivalent to RM4,137,000 (2017: EUR874,000, equivalent to RM4,230,000).

##### (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 TL5,434,000, equivalent to EUR915,000 or RM4,330,000 (2017: TL4,732,000, equivalent to EUR797,000 or RM3,770,000).

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:

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**30. OTHER RESERVES AND FOREIGN EXCHANGE RESERVE (CONT'D.)****(b) Other reserves (cont'd.)****(iii) Actuarial loss on retirement benefits (cont'd.)**

	2018	2017
Discount ratio	4.91%	7.00%
Expected salary increase rate	10.00%	12.00%

Movements of the provision for retirement pay liability:

	2018	2017
	RM'000	RM'000
<b>Group</b>		
As at 1 January	2,247	2,411
Service cost	208	126
Interest cost	279	276
Actuarial loss	2,812	-
Payment	[738]	[566]
As at 31 December	4,808	2,247

**31. BORROWINGS**

	Maturity	Group		Company	
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
<b>Current</b>					
Unsecured:					
4.15% p.a. fixed rate					
RM Senior Sukuk	2018	-	250,000	-	250,000
Secured:					
Euribor + 2.5% p.a.					
Senior Term Facility	2018	-	173,258	-	-
Senior Term Facility	2019	212,357	-	-	-
		212,357	423,258	-	250,000

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 31. BORROWINGS (CONT'D.)

	Maturity	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Non-current</b>					
Unsecured:					
4.55% p.a. fixed rate RM IMTN	2020	1,000,000	1,000,000	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	2019 - 2023	-	2,026,028	-	-
Senior Term Facility	2020 - 2023	1,830,929	-	-	-
		4,930,929	5,126,028	3,100,000	3,100,000
<b>Total borrowings</b>					
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
4.15% p.a. fixed rate RM Senior Sukuk		-	250,000	-	250,000
Euribor + 2.5% p.a. Senior Term Facility		2,043,286	2,199,286	-	-
		5,143,286	5,549,286	3,100,000	3,350,000

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**31. BORROWINGS (CONT'D.)**

The remaining maturities of the borrowings are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
On demand or within one year	212,357	423,258	-	250,000
More than 1 year and less than 2 years	1,246,801	210,637	1,000,000	-
More than 2 years and less than 5 years	3,084,128	2,175,302	1,500,000	1,000,000
5 years or more	600,000	2,740,089	600,000	2,100,000
	5,143,286	5,549,286	3,100,000	3,350,000

**(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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 31. BORROWINGS (CONT'D.)

#### (a) ICP Programme and IMTN Programme (collectively referred to as the Sukuk Programmes) (cont'd.)

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

#### (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.

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

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

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 32).

The remaining Senior Sukuk with total face value of RM250,000,000 was repaid during the year. Details of the Senior Sukuk are as follows:

<b>Coupon rate</b>	<b>Issue size (RM'000)</b>	<b>Issue date</b>	<b>Maturity date</b>
4.15%	250,000	06.09.2013	06.09.2018



## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 31. 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%.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 31. BORROWINGS (CONT'D.)

#### (c) Senior Term Facility (cont'd.)

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 RM31,147,000 (2017: EUR6,585,000, equivalent to RM31,871,000).

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 2017 - 1.05:1.00)
Loan life cover ratio	Minimum of 1.05:1.00 (December 2017 - 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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 31. BORROWINGS (CONT'D.)

#### (c) Senior Term Facility (cont'd.)

These Senior Term Facility with total face value of EUR500,000,000, equivalent to RM2,365,000,000 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.	431,984*	2,043,286	24.12.2014	95,680	26.06.2019
				116,677	27.12.2019
				113,489	26.06.2020
				133,312	29.12.2020
				173,132	28.06.2021
				233,162	24.12.2021
				269,699	24.06.2022
				262,455	24.12.2022
				296,468	24.06.2023
				349,212	24.12.2023

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

Other information on financial risks of borrowings are disclosed in Note 40.

### 32. PERPETUAL SUKUK

	Group/Company	
	2018	2017
	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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 32. PERPETUAL SUKUK (CONT'D.)

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 2018, a periodic distribution for Perpetual Sukuk was paid amounting to RM57,815,000 (2017: RM57,500,000);
- (c) Deferred periodic distribution, if any, will be cumulative and accrued at the prevailing periodic distribution rate;
- (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 cease 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.
- (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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 33. 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 2019	922,350	0.3000	1,040,600	0.2500
27 December 2019	792,275	1.3025	1,005,125	1.1800
26 June 2020	662,200	1.3025	957,825	1.1800
29 December 2020	508,475	1.3025	910,525	1.1800
28 June 2021	354,750	1.3025	851,400	1.1800
24 December 2021	189,200	1.3025	768,625	1.1800
24 June 2022	-	-	650,375	1.1800
26 December 2022	-	-	508,475	1.1800
26 June 2023	-	-	366,575	1.1800
26 December 2023	-	-	201,025	1.1800

As of 31 December 2018, fair value of the above mentioned contracts are EUR12,071,000, equivalent to RM57,097,000 (2017: EUR9,526,000, equivalent to RM46,106,000). Fair value of cash outflows with respect to the derivative that fall within one year from the financial position date, amounting to EUR1,585,000, equivalent to RM7,497,000 (2017: EUR1,786,000, equivalent to RM8,644,000) is classified under current liabilities whereas the remaining amount of EUR10,486,000, equivalent to RM49,600,000 (2017: EUR7,740,000, equivalent to RM37,462,000) is classified under non-current liabilities.

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**33. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)**

The unrealised (gain)/loss on interest rate swaps that is recognised in the consolidated statement of comprehensive income as at 31 December 2018 is as follows:

	Group	
	2018	2017
	RM'000	RM'000
Recognised in other comprehensive income	(3,689)	(8,826)
Recognised in profit or loss	12,846	6,543
Foreign currency translation	[49]	3,558
	9,108	1,275

**34. TRADE AND OTHER PAYABLES**

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
		Restated		
<b>Current</b>				
<b>Trade payables</b>				
Third parties	314,363	404,902	-	-
Utilisation Fee Liability (Note 34(f))	542,488	462,588	-	-
	856,851	867,490	-	-
<b>Other payables</b>				
Amounts due to subsidiaries	-	-	108,172	107,056
Accruals (Note 34(d))	215,014	178,387	45,663	64,063
Provisions for liabilities	25,140	26,435	5,335	6,284
Sundry payables	617,460	496,157	158,946	128,441
Deferred income (Note 34(c))	23,496	24,305	-	-
Distribution to Perpetual Sukuk holder	2,257	2,572	2,257	2,572
Deposits received	120,694	115,187	15,672	12,482
Contract liabilities	20,544	2,790	-	-
Concession liabilities (Note 34(e))	15,494	31,766	-	-
	1,040,099	877,599	336,045	320,898
	1,896,950	1,745,089	336,045	320,898

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

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

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000
<b>Non-current</b>				
<b>Trade payables</b>				
Third parties	150,340	100,120	-	-
Utilisation Fee Liability (Note 34(f))	4,303,858	4,505,176	-	-
	4,454,198	4,605,296	-	-
<b>Other payables</b>				
Sundry payables	2,414	2,363	-	-
Deferred income (Note 34(c))	235,235	151,488	-	-
Contract liabilities	11,622	12,464	-	-
Retirement benefit obligations	7,194	3,868	-	-
Concession liabilities (Note 34(e))	388,896	404,683	-	-
	645,361	574,866	-	-
	5,099,559	5,180,162	-	-
Total trade and other payables (current and non-current)	6,996,509	6,925,251	336,045	320,898
Add: Borrowings (Note 31)	5,143,286	5,549,286	3,100,000	3,350,000
Less: Provisions for liabilities	(25,140)	(26,435)	(5,335)	(6,284)
Deferred income	(258,731)	(175,793)	-	-
Total financial liabilities carried at amortised cost	11,855,924	12,272,309	3,430,710	3,664,614

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**34. TRADE AND OTHER PAYABLES (CONT'D.)**Contract liabilities

Set out below is the movement in the contract liabilities:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Other payables</b>				
At 1 January	15,254	16,059	-	-
Movement	16,912	(805)	-	-
At 31 December	32,166	15,254	-	-

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
<b>Group</b>			
<b>At 31 December 2018</b>			
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
<b>At 31 December 2017</b>			
At 1 January 2017	22,455	2,258	24,713
Additional provision during the year	7,850	4,611	12,461
Writeback of provision during the year	(5,290)	(701)	(5,991)
Utilised during the year	(39)	(4,709)	(4,748)
At 31 December 2017	24,976	1,459	26,435



**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

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

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

	<b>Short-term accumulating compensated absences</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Company</b>		
At 1 January	6,284	4,995
Additional provision during the year	-	1,325
Writeback of provision during the year	(897)	(30)
Utilised during the year	(52)	(6)
<b>At 31 December</b>	<b>5,335</b>	<b>6,284</b>

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

	<b>Retirement benefit obligations</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>		
At 1 January	3,868	3,309
Recognised in the statement of profit or loss	678	1,121
Utilised during the year	(201)	(425)
Actuarial loss	2,812	-
Foreign currency translation	37	(137)
<b>At 31 December</b>	<b>7,194</b>	<b>3,868</b>

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

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**34. TRADE AND OTHER PAYABLES (CONT'D.)****(a) Trade payables**

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 (2017: 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:

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Analysed as:		
Current	23,496	24,305
Non-current:		
Later than 1 year but not later than 2 years	22,985	23,316
Later than 2 years but not later than 5 years	65,627	45,636
Later than 5 years	146,623	82,536
	235,235	151,488
	258,731	175,793

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

**(d) Accruals**

Included in accruals is RM11,680,000 (2017: RM24,618,000) amount accrued in relation to klia2 construction costs.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

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

#### (e) Concession liabilities

Concession liabilities are in respect of the following:

- (i) lease rental payable to the GoM for all airports managed by the Group;
- (ii) Airport Facility Agreement for Generation Plant at KLIA; and
- (iii) Privatisation of the Development of a Generation Plant at klia2.

(ii) and (iii) above are collectively referred as Airport Facility Arrangements as disclosed in Note 2.4 (ac) 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)	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Analysed as:				
Current	312	-	15,182	31,766
Non-current:				
Later than 1 year but not later than 2 years	330	294	16,038	15,182
Later than 2 years but not later than 5 years	1,115	992	53,749	50,879
Later than 5 years	88,854	89,618	228,810	247,718
	90,299	90,904	298,597	313,779
Total minimum lease payment	90,611	90,904	313,779	345,545

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**34. TRADE AND OTHER PAYABLES (CONT'D.)****(e) Concession liabilities (cont'd.)**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Current	15,494	31,766
Non-current	388,896	404,683
<b>Total concession liabilities</b>	<b>404,390</b>	<b>436,449</b>

The AFA obligation is arrived at after discounting the future estimated finance charge of RM137,741,000 (2017: RM155,953,000).

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 40.

**(f) 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 year, 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%.

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Analysed as:		
Current	542,488	462,588
Non-current:		
Later than 1 year but not later than 2 years	485,950	498,555
Later than 2 years but not later than 5 years	1,282,980	1,298,330
Later than 5 years	2,534,928	2,708,291
	4,303,858	4,505,176
	4,846,346	4,967,764

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 35. LEASE ARRANGEMENTS

#### Operating lease

The Group has entered into non-cancellable operating lease agreements for the use of certain plant and equipment. These leases have an average life of between 3 and 10 years with no renewal or purchase option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

The Group also leases various plant and machinery under cancellable operating lease agreements. The Group is required to give a period of between 1 to 3 months notice for the termination of those agreements.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Future minimum rental payments:				
Not later than 1 year	34,753	39,661	6,554	7,615
Later than 1 year but not later than 5 years	79,059	101,842	4,704	9,620
Later than 5 years	-	3,113	-	-
	113,812	144,616	11,258	17,235

### 36. COMMITMENTS

	Not later than 1 year RM'000	Later than 1 year but not later than 5 years RM'000	Total RM'000
	<b>Group</b>		
<b>31 December 2018</b>			
(i) Approved but not contracted for:			
Capital expenditure	1,394,363	-	1,394,363
(ii) Other investments:			
Investment in MFMA <sup>(a)</sup>	45,000	-	45,000
	1,439,363	-	1,439,363

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**36. COMMITMENTS (CONT'D.)**

	Not later than 1 year RM'000	Later than 1 year but not later than 5 years RM'000	Total RM'000
<b>Group (cont'd.)</b>			
<b>31 December 2017</b>			
(i) Approved but not contracted for:			
Capital expenditure	1,120,657	-	1,120,657
(ii) Other investments:			
Investment in MFMA <sup>(a)</sup>	45,056	-	45,056
	1,165,713	-	1,165,713
<b>Company</b>			
<b>31 December 2018</b>			
Approved but not contracted for:			
Capital expenditure	91,285	-	91,285
<b>31 December 2017</b>			
Approved but not contracted for:			
Capital expenditure	63,150	-	63,150
	<b>Group</b>	<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Analysed as:			
Not later than 1 year	1,439,363	1,165,713	91,285
			63,150

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 36. COMMITMENTS (CONT'D.)

- (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 2018 is RM150,000,000. The commitments by MAHB are in respect of the Facility B amounting to RM45,000,000 (2017: RM45,056,000).

### 37. FINANCIAL GUARANTEES AND CONTINGENCIES

#### (a) Guarantees

- (i) As of 31 December 2018, ISG has given five (2017: five) letters of guarantee, one amounting to EUR74,602,000, equivalent to RM352,867,000 (2017: EUR80,341,000, equivalent to RM388,850,000), one amounting to EUR13,009,000, equivalent to RM61,533,000 (2017: EUR13,009,000, equivalent to RM62,964,000), one amounting to EUR1,629,000, equivalent to RM7,705,000 (2017: EUR1,629,000, equivalent to RM7,884,000), one amounting to EUR20,118,000, equivalent to RM95,158,000 (2017: EUR20,118,000, equivalent to RM97,371,000) and one amounting to EUR315,000, equivalent to RM1,490,000 (2017: EUR315,000, equivalent to RM1,525,000) to the Administration (representing 6% of total amount payable to the Administration for the right to operate the Facility as set out in the Implementation Agreement).

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 37. FINANCIAL GUARANTEES AND CONTINGENCIES (CONT'D.)

#### (a) Guarantees (cont'd.)

- (ii) ISG has given 14 letters of guarantee to Tax Authority in Turkey for Value Added Tax (VAT) refund amounting to EUR1,131,000, equivalent to RM5,350,000 (2017: EUR1,292,000, equivalent to RM6,253,000).
- (iii) As of 31 December 2018, LGM has given a letter of guarantee to Havaalani Isletme ve Havacilik Endustrileri A.S. (HEAS) amounting to EUR436,000, equivalent to RM2,062,000 (2017: EUR418,000, equivalent to RM2,023,000) 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 RM40,312,000 (2017: QAR39,700,000, equivalent to RM44,067,000).
  - (b) Advance Payment Guarantee (APG) is nil as MACS ME have made full payment and the APG have been cancelled and returned to the banks. (2017: QAR22,000,000, equivalent to RM24,420,000).
  - (c) 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 2018.

#### (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 2018

### 37. FINANCIAL GUARANTEES AND CONTINGENCIES (CONT'D.)

#### (b) Contingent liabilities (cont'd.)

- (i) The tax auditors claimed a principal of TL7,100,000, equivalent to EUR1,196,000 or RM5,657,000, late payment interest of TL5,500,000, equivalent to EUR927,000 or RM4,382,000 and tax penalties of TL10,700,000, equivalent to EUR1,802,000 or RM8,526,000 for that tax issue mentioned above. ISG has booked a provision of late payment interest TL5,500,000, equivalent to EUR927,000 or RM4,382,000 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 EUR590,000 or RM2,789,000 which is the half of principal amount (TL7,100,000, equivalent to EUR1,196,000 or RM5,657,000) and increased VAT receivables carried forward and paid an additional TL99,700, equivalent to EUR17,000 or RM79,000 has been waived by the Tax Authority.

The original lawsuit at Supreme Court level is still ongoing. If the Supreme Court's ruling will be against ISG when the decision will be reached, ISG may have to pay the original tax base amount together with interest although benefited from the Tax Amnesty. If such a case will occur in the future ISG may have to pay the original tax amount of TL7,100,000, equivalent to EUR1,196,000 or RM5,657,000 plus interest and apply for the deduction of the TL3,600,000, equivalent to EUR606,000 or RM2,868,000 tax amnesty payment from the total payable amount. The TL7,100,000, equivalent to EUR1,196,000 or RM5,657,000 tax base amount will be again added to the VAT receivable in the statement of financial position that will be carried forward and recovered in the following years.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 37. FINANCIAL GUARANTEES AND CONTINGENCIES (CONT'D.)

#### (b) Contingent liabilities (cont'd.)

- (i) 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 EUR118,000 or RM558,000 has been booked as a provision in the ISG's accounts in statement of income 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.
- (ii) On 20 August 2015, Malaysia Airports (Properties) Sdn. Bhd. (MAP) received a Notice of Arbitration from 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.

As at to date, both parties are still negotiating to reach an agreement on the quantum aspect for KAF's claim.

- (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 on the 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 Government.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 37. FINANCIAL GUARANTEES AND CONTINGENCIES (CONT'D.)

#### (b) Contingent liabilities (cont'd.)

- (iii) As an update, 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.
- (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'.

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.

The Next Case Management has been fixed on 11 March 2019 and the trial has been fixed from 5 to 7 August 2019.

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**38. 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:

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Related party balances</b>		
Amounts owing by associated companies	30	1,857
Amounts owing to joint ventures	-	14,013
Amount owing to other related party	-	450
<b>Related party transactions</b>		
<b>Revenue:</b>		
<u>Associates:</u>		
Lease rental		
- Kuala Lumpur Aviation Fuelling System Sdn. Bhd.	6,120	6,118
- MFMA Development Sdn. Bhd.	4,029	3,044
- Cainiao KLIA Aeropolis Sdn. Bhd.	1,540	-
Concession fee		
- MFMA Development Sdn. Bhd.	568	568
Recoupment of water, electricity & sewerage		
- MFMA Development Sdn. Bhd.	5,792	6,263
<u>Joint ventures:</u>		
Lease rental		
- Segi Astana Sdn. Bhd.	1,273	1,273
- Airport Cooling Energy Supply Sdn. Bhd.	888	888

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**38. RELATED PARTY DISCLOSURES (CONT'D.)**

	Group	
	2018 RM'000	2017 RM'000
<b>Related party transactions (cont'd.)</b>		
<b>Expenses:</b>		
<u>Joint ventures:</u>		
Airport Cooling Energy Supply Sdn. Bhd.		
- Utilities (fixed)	32,124	32,125
- Utilities (variable)	14,555	14,404
- Less: Rebate	(4,961)	(4,414)
- Interest on concession payable	21,361	21,362
Segi Astana Sdn. Bhd.		
- Rental of shops and warehouse	-	447
- Water and electricity	-	46
- Car park	-	10
<b>Other transactions:</b>		
<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	815

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**38. RELATED PARTY DISCLOSURES (CONT'D.)**

	Company	
	2018 RM'000	2017 RM'000
<b>Related party transactions (cont'd.)</b>		
<b>Other transactions:</b>		
<u>Subsidiaries:</u>		
Malaysia Airports (Sepang) Sdn. Bhd.		
- Utilities charges	1,084	1,304
MAB Agriculture-Horticulture Sdn. Bhd.		
- Landscape services	393	400
Malaysia Airports (Niaga) Sdn. Bhd.		
- Catering services	841	911
K.L Airport Hotel Sdn. Bhd.		
- Event management	2,149	1,452
Urusan Teknologi Wawasan Sdn. Bhd.		
- Repair and maintenance of building	643	782
Malaysia Airports Consultancy Services Sdn. Bhd.		
- Consultancy service from subsidiary	84	83

**Compensation of key management personnel**

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short-term employee benefits	19,454	15,205	16,343	12,183
Post-employment benefit:				
Defined contribution plans	2,887	2,352	2,483	1,890
	22,341	17,557	18,826	14,073

Remuneration of directors is as disclosed in Note 8.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 39. SUBSEQUENT EVENT AFTER THE REPORTING DATE

Malaysia Airports (Sepang) Sdn. Bhd., a wholly owned subsidiary of the Company, has been served by the solicitors of AirAsia Berhad (AAB) and AirAsia X Berhad (AAX) with a copy of its letter dated 31 January 2019 (the Letter).

The Letter alleged, amongst others, AAX and AAB have suffered losses and damages amounting to RM479,781,000. The letter further stated that notice therefore given to Malaysia Airports (Sepang) Sdn. Bhd. that mediation shall be convened pursuant to Section 74 of the Malaysian Aviation Commission Act, 2015.

### 40. 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 2018

**40. 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
<b>At 31 December 2018</b>							
<b>Group</b>							
Borrowings	31	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
<b>Company</b>							
Borrowings	31	4.54	-	1,000,000	1,500,000	600,000	3,100,000
Cash and cash equivalents	26	3.05	13,289	-	-	-	13,289



**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**40. FINANCIAL INSTRUMENTS (CONT'D.)****(b) Interest rate risk (cont'd.)**

	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
<b>At 31 December 2017</b>							
<b>Group</b>							
Borrowings	31	3.77	423,258	210,637	2,175,302	2,740,089	5,549,286
Cash and cash equivalents	26	1.94	915,291	-	-	-	915,291
<b>Company</b>							
Borrowings	31	4.51	250,000	-	1,000,000	2,100,000	3,350,000
Cash and cash equivalents	26	2.94	32,895	-	-	-	32,895

The average maturity of financial instruments at the reporting date is 36 days (2017: 58 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.

**(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 and Canadian Dollar. 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.

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**40. FINANCIAL INSTRUMENTS (CONT'D.)****(c) Foreign currency risk (cont'd.)**

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:

	<b>Net financial assets/ (liabilities) held in non-functional currencies</b>			
	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
USD	21,713	40,936	2,895	40,970
GBP	(3,544)	(138)	(3,582)	6,115
EUR	(118)	409	72	11,687
SGD	5,171	(1,206)	152	(851)
CHF	(375)	(324)	-	-
RMB	11	36	11	(24)
HKD	66,863	15	66,863	-
QAR	18,246	17,860	-	-
AUD	777	(125)	312	(125)
INR	152	(161)	150	(161)
CAD	(87)	-	-	-
<b>Total</b>	<b>108,809</b>	<b>57,302</b>	<b>66,873</b>	<b>57,611</b>

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**40. 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 and CAD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		<b>Group</b>	<b>Company</b>
		<b>2018</b>	<b>2018</b>
		<b>Profit net</b>	<b>Profit net</b>
		<b>of tax</b>	<b>of tax</b>
		<b>RM'000</b>	<b>RM'000</b>
USD/RM	- strengthened 5%	1,086	144
	- weakened 5%	(1,086)	(144)
GBP/RM	- strengthened 5%	(177)	(179)
	- weakened 5%	177	179
EUR/RM	- strengthened 5%	(6)	4
	- weakened 5%	6	(4)
SGD/RM	- strengthened 5%	258	8
	- weakened 5%	(258)	(8)
CHF/RM	- strengthened 5%	(19)	-
	- weakened 5%	19	-
RMB/RM	- strengthened 5%	1	1
	- weakened 5%	(1)	(1)
HKD/RM	- strengthened 5%	3,343	3,343
	- weakened 5%	(3,343)	(3,343)
QAR/RM	- strengthened 5%	912	-
	- weakened 5%	(912)	-
AUD/RM	- strengthened 5%	39	15
	- weakened 5%	(39)	(15)
INR/RM	- strengthened 5%	8	8
	- weakened 5%	(8)	(8)
CAD/RM	- strengthened 5%	(4)	-
	- weakened 5%	4	-

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**40. 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**

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

	<b>On demand within one year RM'000</b>	<b>One to five years RM'000</b>	<b>Over five years RM'000</b>	<b>Total RM'000</b>
<b>Group</b>				
<b>31 December 2018</b>				
<b>Financial liabilities:</b>				
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
<b>Total undiscounted financial liabilities</b>	<b>2,553,032</b>	<b>7,253,092</b>	<b>4,712,366</b>	<b>14,518,490</b>
<b>31 December 2017 (Restated)</b>				
<b>Financial liabilities:</b>				
Trade and other payables	1,694,676	2,963,651	4,843,029	9,501,356
Borrowings	494,726	3,701,405	2,124,764	6,320,895
<b>Total undiscounted financial liabilities</b>	<b>2,189,402</b>	<b>6,665,056</b>	<b>6,967,793</b>	<b>15,822,251</b>

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**40. FINANCIAL INSTRUMENTS (CONT'D.)****(d) Liquidity risk (cont'd.)**

	<b>On demand within one year RM'000</b>	<b>One to five years RM'000</b>	<b>Over five years RM'000</b>	<b>Total RM'000</b>
<b>Company</b>				
<b>31 December 2018</b>				
<b>Financial liabilities:</b>				
Other payables	330,710	-	-	330,710
Borrowings	140,600	2,837,550	624,764	3,602,914
<b>Total undiscounted financial liabilities</b>	<b>471,310</b>	<b>2,837,550</b>	<b>624,764</b>	<b>3,933,624</b>
<b>31 December 2017</b>				
<b>Financial liabilities:</b>				
Other payables	314,613	-	-	314,613
Borrowings	150,975	1,724,853	2,124,764	4,000,592
<b>Total undiscounted financial liabilities</b>	<b>465,588</b>	<b>1,724,853</b>	<b>2,124,764</b>	<b>4,315,205</b>

**(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 2018

### 40. 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 is 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 51% (2017: 54%) of the Group's trade receivables were due from six (2017: 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 2018

### 40. 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:

	<b>Note</b>
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 2018

### 41. 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 2018 and 2017.

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.

	Note	Group	
		2018 RM'000	2017 RM'000 Restated
Borrowings	31	5,143,286	5,549,286
Derivative financial instruments	33	57,097	46,106
Contingent liabilities	37(b)	530,346	528,277
		5,730,729	6,123,669
Equity attributable to Owners of the Company		9,140,726	8,715,746
Gearing ratio		63%	70%

### 42. 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.



## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 42. 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:

##### 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 a 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.

##### Overseas operations:

#### (i) Airport services

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 42. 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 (cont'd.):**

#### (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 2018

## 42. 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											Notes	
	Malaysia Operations			Non-airport operations			Overseas Operations						
	Airport operations	Agriculture and horticulture	Project and repair maintenance	Hotel	Others	Airport services	Airport and repair maintenance	Project and repair maintenance	Consolidation adjustments	Total			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Revenue</b>													
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)	-	-	-	-
Inter-segment dividends	-	-	-	-	-	345,000	-	-	(345,000)	-	-	-	-
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
<b>Results</b>													
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		
<b>Assets</b>													
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	12,426,676	6,445,179	100,961	(7,917,107)		22,273,103		
<b>Liabilities</b>													
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 2018

## 42. SEGMENT INFORMATION (CONT'D.)

	Continuing operations										Notes
	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	Project and repair maintenance	Others	Airport services	Project and repair maintenance	Consolidation adjustments	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>31 December 2017 (as restated)</b>											
<b>Revenue</b>											
External sales											
Airport operations:											
Aeronautical	-	1,689,426	-	-	-	564,199	-	-	-	2,253,625	
Non-aeronautical:											
Retail	853,679	-	-	-	-	-	-	-	-	853,679	
Others	1,531	733,106	-	-	-	454,879	-	-	-	1,189,516	
Construction	-	-	-	-	-	57,905	-	-	-	57,905	
Non-airport operations	-	-	38,162	94,457	17,694	8,694	137,555	-	-	296,562	
Inter-segment sales	1,119	272,142	6,430	1,828	71,235	73,139	-	(425,893)	-	-	A
Inter-segment dividends	-	-	-	-	254,000	-	-	(254,000)	-	-	A
Total revenue	856,329	2,694,674	44,592	96,285	88,929	1,158,816	137,555	(679,893)	-	4,651,287	
<b>Results</b>											
Segment results	51,773	1,086,892	11,158	25,405	31,396	397,346	770,666	6,121	(461,154)	1,919,603	B
Depreciation and amortisation	(10,204)	(302,172)	(4,291)	(15,119)	(401)	(16,104)	(337,537)	(3,748)	(191,248)	(880,824)	C
Finance costs	14	(233,942)	7	5	(1)	(155,452)	(508,458)	-	177,213	(720,614)	D
Share of results of associates	-	5,801	-	-	-	-	-	-	-	5,801	
Share of results of joint ventures	-	-	-	-	-	14,824	-	-	-	14,824	
Profit/(loss) before tax	41,583	556,579	6,874	10,291	30,994	240,614	(75,329)	2,373	(475,189)	338,790	
Taxation and zakat	(11,182)	(144,780)	(1,585)	(2,767)	(5,069)	(2,885)	24,711	(147)	45,283	(98,421)	C
Profit/(loss) for the year	30,401	411,799	5,289	7,524	25,925	237,729	(50,618)	2,226	(429,906)	240,369	
<b>Assets</b>											
Segment assets	215,296	10,396,718	92,144	127,782	144,731	12,124,269	7,331,637	91,773	(8,740,943)	21,783,407	E
Additions to non-current assets	3,429	168,320	4,887	1,337	642	14,035	89,204	2,570	-	284,424	
Investments in associates	-	44,962	-	-	-	-	-	-	-	44,962	
Investments in joint ventures	-	-	-	-	-	92,031	-	-	-	92,031	
Total assets	218,725	10,610,000	97,031	129,119	145,373	12,230,335	7,420,841	94,343	(8,740,943)	22,204,824	
<b>Liabilities</b>											
Segment liabilities, representing total liabilities	149,344	6,416,528	21,776	36,409	55,028	5,951,403	8,559,426	88,912	(7,789,748)	13,489,078	F

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 42. 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:

	2018 RM'000	2017 RM'000
Investment in subsidiaries	(2,198,880)	(1,886,883)
Inter-segment assets	(5,718,227)	(6,854,060)
	(7,917,107)	(8,740,943)

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

	2018 RM'000	2017 RM'000
Inter-segment liabilities	6,416,641	7,789,748

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**43. TRANSITION TO MFRS FRAMEWORK**

The impact of the changes in accounting policies on the financial statements as a result of the transition to MFRS are as follows. Certain comparatives have also been restated to conform with the current year presentation.

**(i) Statement of comprehensive income****Group**

	<b>31.12.2017</b>			
	<b>Previously reported under FRS RM'000</b>	<b>MFRS 9 RM'000</b>	<b>MFRS 141 RM'000</b>	<b>Reported under MFRS RM'000</b>
Revenue	4,652,338	-	(1,051)	4,651,287
Cost of inventories sold	(448,977)	-	-	(448,977)
Other income	230,935	-	-	230,935
Employee benefits expenses	(852,144)	-	-	(852,144)
Construction costs	(57,905)	-	-	(57,905)
Depreciation and amortisation	(880,824)	-	-	(880,824)
Other expenses	(1,613,378)	9,785	-	(1,603,593)
Finance costs	(716,185)	(4,429)	-	(720,614)
Share of results of associates	5,801	-	-	5,801
Share of results of joint ventures	14,824	-	-	14,824
Profit before tax and zakat	334,485	5,356	(1,051)	338,790
Taxation and zakat	(97,387)	(1,286)	252	(98,421)
Profit net of tax	237,098	4,070	(799)	240,369
Other comprehensive income:				
Available-for-sale financial assets				
- Gain on fair value changes	264,368	(264,368)	-	-
Foreign currency translation	41,955	-	-	41,955
Unrealised gain on derivative financial instruments	8,826	-	-	8,826
Other comprehensive income for the year, net of tax	315,149	(264,368)	-	50,781
Total comprehensive income for the year	552,247	(260,298)	(799)	291,150
Earnings per share attributable to Owners of the Company (sen per share)	10.79			10.98

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**43. TRANSITION TO MFRS FRAMEWORK (CONT'D.)****(i) Statement of comprehensive income (cont'd.)****Company**

	<b>31.12.2017</b>		
	<b>Previously reported under FRS RM'000</b>	<b>MFRS 9 RM'000</b>	<b>Reported under MFRS RM'000</b>
Revenue	254,000	-	254,000
Other income	378,850	-	378,850
Employee benefits expenses	(167,124)	-	(167,124)
Depreciation and amortisation	(16,105)	-	(16,105)
Other expenses	(79,038)	112	(78,926)
Finance costs	(151,023)	(4,456)	(155,479)
Profit before tax and zakat	219,560	(4,344)	215,216
Taxation and zakat	(3,919)	1,043	(2,876)
Profit net of tax	215,641	(3,301)	212,340
Other comprehensive income:			
Available-for-sale financial assets			
- Loss on fair value changes	(4,456)	4,456	-
Total comprehensive income for the year	211,185	1,155	212,340

# NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

## 43. TRANSITION TO MFRS FRAMEWORK (CONT'D.)

### (ii) Statement of financial position

Group	31.12.2017					1.1.2017						
	Previously reported under FRS RM'000	MFRS 1 RM'000	MFRS 9 RM'000	MFRS 15 RM'000	MFRS 141 RM'000	Reported under MFRS RM'000	Previously reported under FRS RM'000	MFRS 1 RM'000	MFRS 9 RM'000	MFRS 15 RM'000	MFRS 141 RM'000	Reported under MFRS RM'000
<b>Assets</b>												
<b>Non-current assets</b>												
Property, plant and equipment	347,847	-	-	-	67,236	417,083	381,665	-	-	-	66,690	448,355
Plantation development expenditure	67,236	-	-	-	(67,236)	-	66,690	-	-	-	(66,690)	-
Land use rights	7,034	-	-	-	-	7,034	7,141	-	-	-	-	7,141
Intangible assets	17,409,638	-	-	-	-	17,409,638	17,230,972	-	-	-	-	17,230,972
Investment in associates	44,962	-	-	-	-	44,962	36,161	-	-	-	-	36,161
Investment in joint ventures	92,031	-	-	-	-	92,031	82,720	-	-	-	-	82,720
Available-for-sale investments	418,749	-	(418,749)	-	-	-	234,729	-	(234,729)	-	-	-
Financial assets at fair value through profit or loss	-	-	149,698	-	-	149,698	-	-	234,475	-	-	234,475
Trade and other receivables	438,268	-	-	-	-	438,268	411,111	-	-	-	-	411,111
Employee loans	27,711	-	-	-	-	27,711	31,710	-	-	-	-	31,710
Deferred tax assets	236,515	-	9,072	-	-	245,587	215,886	-	10,358	-	-	226,244
	19,091,991	-	(259,979)	-	-	18,832,012	18,698,785	-	10,104	-	-	18,708,889
<b>Current assets</b>												
Inventories	140,591	-	-	-	-	140,591	135,235	-	-	-	-	135,235
Biological assets	-	-	-	-	2,532	2,532	-	-	-	-	3,583	3,583
Trade and other receivables	791,900	-	(33,372)	-	-	758,528	871,555	-	(43,157)	-	-	828,398
Tax recoverable	10,181	-	-	-	-	10,181	10,958	-	-	-	-	10,958
Financial assets at fair value through profit or loss	-	-	1,167,589	-	-	1,167,589	-	-	635,019	-	-	635,019
Cash and cash equivalents	2,460,980	-	(1,167,589)	-	-	1,293,391	1,571,876	-	(635,019)	-	-	936,857
	3,403,652	-	(33,372)	-	2,532	3,372,812	2,589,624	-	(43,157)	-	3,583	2,550,050
Asset of disposal group classified as held for disposal	-	-	-	-	-	-	151	-	-	-	-	151
<b>Total assets</b>	22,495,643	-	(293,351)	-	2,532	22,204,824	21,288,560	-	(33,053)	-	3,583	21,259,090



## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

## 43. TRANSITION TO MFRS FRAMEWORK (CONT'D.)

## (ii) Statement of financial position (cont'd.)

Group	31.12.2017					1.1.2017						
	Previously reported under FRS RM'000	MFRS 1 RM'000	MFRS 9 RM'000	MFRS 15 RM'000	MFRS 141 RM'000	Reported under MFRS RM'000	Previously reported under FRS RM'000	MFRS 1 RM'000	MFRS 9 RM'000	MFRS 15 RM'000	MFRS 141 RM'000	Reported under MFRS RM'000
<b>Equity and liabilities</b>												
<b>Equity attributable to Owners of the Company</b>												
Share capital	5,114,341	-	-	-	-	5,114,341	1,659,192	-	-	-	-	1,659,192
Perpetual sukuk	997,842	-	-	-	-	997,842	997,842	-	-	-	-	997,842
Share premium	-	-	-	-	-	-	3,455,149	-	-	-	-	3,455,149
Retained earnings	2,320,248	283,835	(22,699)	-	1,924	2,583,308	2,321,187	283,835	(26,769)	-	2,723	2,580,976
Fair value adjustment reserve	272,636	-	(272,636)	-	-	-	8,268	-	(8,268)	-	-	-
Hedging reserve	(28,591)	-	-	-	-	(28,591)	(37,417)	-	-	-	-	(37,417)
Other reserve	6,891	-	-	-	-	6,891	6,801	-	-	-	-	6,801
Foreign exchange reserve	325,790	(283,835)	-	-	-	41,955	283,835	(283,835)	-	-	-	-
Non-controlling interests	9,009,157	-	(295,335)	-	1,924	8,715,746	8,694,857	-	(85,037)	-	2,723	8,662,543
<b>Total equity</b>	<b>9,009,157</b>	<b>-</b>	<b>(295,335)</b>	<b>-</b>	<b>1,924</b>	<b>8,715,746</b>	<b>8,696,888</b>	<b>-</b>	<b>(85,037)</b>	<b>-</b>	<b>2,723</b>	<b>8,664,574</b>
<b>Non-current liabilities</b>												
Borrowings	5,126,028	-	-	-	-	5,126,028	5,386,142	-	-	-	-	5,386,142
Derivative financial instruments	37,462	-	-	-	-	37,462	43,393	-	-	-	-	43,393
Trade and other payables	5,172,888	-	-	7,274	-	5,180,162	4,460,533	-	-	-	-	4,460,533
Deferred tax liabilities	916,457	-	1,984	-	608	919,049	935,840	-	1,984	-	860	938,684
	11,252,835	-	1,984	7,274	608	11,262,701	10,825,908	-	1,984	-	860	10,828,752
<b>Current liabilities</b>												
Borrowings	423,258	-	-	-	-	423,258	193,638	-	-	-	-	193,638
Derivative financial instruments	8,644	-	-	-	-	8,644	3,389	-	-	-	-	3,389
Trade and other payables	1,752,363	-	-	(7,274)	-	1,745,089	1,538,571	-	-	-	-	1,538,571
Income tax payable	49,386	-	-	-	-	49,386	30,147	-	-	-	-	30,147
	2,233,651	-	-	(7,274)	-	2,226,377	1,765,745	-	-	-	-	1,765,745
Liability of disposal group classified as held for disposal	-	-	-	-	-	-	19	-	-	-	-	19
<b>Total liabilities</b>	<b>13,486,486</b>	<b>-</b>	<b>1,984</b>	<b>-</b>	<b>608</b>	<b>13,489,078</b>	<b>12,591,672</b>	<b>-</b>	<b>1,984</b>	<b>-</b>	<b>860</b>	<b>12,594,516</b>
<b>Total equity and liabilities</b>	<b>22,495,643</b>	<b>-</b>	<b>(293,351)</b>	<b>-</b>	<b>2,532</b>	<b>22,204,824</b>	<b>21,288,560</b>	<b>-</b>	<b>(33,053)</b>	<b>-</b>	<b>3,583</b>	<b>21,259,090</b>

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd.)

31 December 2018

**43. TRANSITION TO MFRS FRAMEWORK (CONT'D.)****(ii) Statement of financial position (cont'd.)****Company**

	31.12.2017			1.1.2017		
	Previously reported under FRS RM'000	MFRS 9 RM'000	Reported under MFRS RM'000	Previously reported under FRS RM'000	MFRS 9 RM'000	Reported under MFRS RM'000
<b>Assets</b>						
<b>Non-current assets</b>						
Property, plant and equipment	71,467	-	71,467	73,531	-	73,531
Investment in subsidiaries	1,962,902	-	1,962,902	1,943,696	-	1,943,696
Investment in joint ventures	53,718	-	53,718	53,718	-	53,718
Available-for-sale investments	107,894	(107,894)	-	188,416	(188,416)	-
Financial assets at fair value through profit or loss	-	107,894	107,894	-	188,416	188,416
Other receivables	4,611,275	-	4,611,275	4,998,489	-	4,998,489
Deferred tax assets	1,152	(800)	352	3,361	(1,843)	1,518
	6,808,408	(800)	6,807,608	7,261,211	(1,843)	7,259,368
<b>Current assets</b>						
Inventories	13	-	13	13	-	13
Other receivables	2,560,115	(378)	2,559,737	2,340,598	(490)	2,340,108
Tax recoverable	1,814	-	1,814	1,622	-	1,622
Financial assets at fair value through profit or loss	-	428,477	428,477	-	198,703	198,703
Cash and bank balances	525,613	(428,477)	97,136	223,614	(198,703)	24,911
	3,087,555	(378)	3,087,177	2,565,847	(490)	2,565,357
<b>Total assets</b>	<b>9,895,963</b>	<b>(1,178)</b>	<b>9,894,785</b>	<b>9,827,058</b>	<b>(2,333)</b>	<b>9,824,725</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

31 December 2018

### 43. TRANSITION TO MFRS FRAMEWORK (CONT'D.)

#### (ii) Statement of financial position (cont'd.)

##### Company (cont'd.)

	31.12.2017			1.1.2017		
	Previously reported under FRS RM'000	MFRS 9 RM'000	Reported under MFRS RM'000	Previously reported under FRS RM'000	MFRS 9 RM'000	Reported under MFRS RM'000
<b>Equity and liabilities</b>						
<b>Equity attributable to Owners of the Company</b>						
Share capital	5,114,341	-	5,114,341	1,659,192	-	1,659,192
Perpetual sukuk	997,842	-	997,842	997,842	-	997,842
Share premium	-	-	-	3,455,149	-	3,455,149
Retained earnings	109,169	2,535	111,704	133,540	5,836	139,376
Fair value adjustment reserve	3,713	(3,713)	-	8,169	(8,169)	-
<b>Total equity</b>	<b>6,225,065</b>	<b>(1,178)</b>	<b>6,223,887</b>	<b>6,253,892</b>	<b>(2,333)</b>	<b>6,251,559</b>
<b>Non-current liability</b>						
Borrowings	3,100,000	-	3,100,000	3,350,000	-	3,350,000
<b>Current liabilities</b>						
Borrowings	250,000	-	250,000	-	-	-
Other payables	320,898	-	320,898	223,166	-	223,166
	570,898	-	570,898	223,166	-	223,166
<b>Total liabilities</b>	<b>3,670,898</b>	<b>-</b>	<b>3,670,898</b>	<b>3,573,166</b>	<b>-</b>	<b>3,573,166</b>
<b>Total equity and liabilities</b>	<b>9,895,963</b>	<b>(1,178)</b>	<b>9,894,785</b>	<b>9,827,058</b>	<b>(2,333)</b>	<b>9,824,725</b>

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