ENTERTAINMENTS

DREAMS WITHOUT BOUNDARIES

DXB Entertainments PJSC and its Subsidiaries

Consolidated financial statements and independent auditor's report for the year ended 31 December 2016

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DXB ENTERTAINMENTS PJSC AND ITS SUBSIDIARIES DIRECTORS' REPORT

The Board of Directors of DXB Entertainments PJSC (the "Company") and its subsidiaries (collectively the "Group") is pleased to present the consolidated financial statements as at 31 December 2016.

This is the first time in the Group's history that we have the pleasure to report on revenue and visitation as Dubai Parks and Resorts opened its doors to the paying public in 2016.

When the Dubai Parks and Resorts project was announced by His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, in 2012, it was envisaged as a key element of the Dubai Tourism Vision for 2020, to increase Dubai's annual visitor numbers to 20 million and increase the economic contribution of the tourism sector to the UAE's GDP.

We have worked tirelessly over the past 4 years to deliver that vision, and are proud to have created a unique destination, that is not only a source of national pride, but also serves our neighbouring countries and the wider region as a family entertainment destination.
Key Milestones:

The past year was a year with many events that shaped the future of the Company.

At the General Assembly held on 18 April 2016 we received shareholder approval to increase the share capital of the Company by AED 1,678,084,962 to primarily finance Dubai Parks and Resorts fourth theme park, Six Flags Dubai. The rights issue was announced on 20 April 2016 and the subscription period ended on 25 May 2016, with total subscriptions equalling AED 2.67 billion, demonstrating strong demand from shareholders. The addition of Six Flags Dubai as Phase II of the Dubai Parks and Resorts destination, brings the total estimated project cost to AED 13.2 billion and which now covers 30.6 million square feet of land. Construction of the park started in July, and it is expected to open to the public in late 2019.

The second General Assembly meeting was held on 23 June 2016, where shareholders approved changing the name of the company from Dubai Parks and Resorts PJSC to DXB Entertainments PJSC. Following the approval of the authorities, the change came into effect on 29 September 2016 with the new Dubai Financial Market trading symbol DXBE. The name change was initiated to differentiate between the Dubai Parks and Resorts destination that guests visit and the Company which owns the destination. It is also an indication of our wider aspirations to expand the Company's activities beyond the destination in the future.

The major milestone for the Group in 2016 was moving from construction into operations. With the opening of LEGOLAND® Dubai and Riverland™ Dubai on 31 October 2016, Dubai Parks and Resorts opened its gates to paying guests and the Group moved into its operational phase. The Group achieved AED 75.9 million in revenue during the year ended 31 December 2016, of which AED 63.4 million was theme park revenue generated from 323,489 visits to the destination.

Operations:

Transitioning the Group from construction to operations has been a key focus for management in 2016. For the first 10 months of 2016, the focus was on delivery of the destination on time and on budget. With a project this complex, the last few months proved to be challenging especially in regards to ride installation, testing and certification. We worked closely with TUV Sud, our third party certification agency, as well as with the Dubai Municipality to implement European safety standards across all rides and attractions.

As we approached the target opening date of October the Group took the decision to stagger the opening of the parks, starting with LEGOLAND® Dubai on 31 October 2016, Bollywood Parks™ Dubai on 17 November 2016, MOTIONGATE™ Dubai on 16 December 2016 and the LEGOLAND® Water Park on 2 January 2017.

Opening a destination of this size also meant attracting a diversified and service-oriented employee base to ensure guest satisfaction and safety. Our employee numbers have grown to 3,184 employees from 88 countries as at the end of 2016. Training and ensuring customer satisfaction has been a key operational focus both for the Human Resource department as well as the theme park operations department. We had set a target to attract up to 1,000. Emirati nationals to our workforce, and as at the end of the year, we had a total of 269 Emirati employees.

DXB ENTERTAINMENTS PJSC AND ITS SUBSIDIARIES DIRECTORS' REPORT (continued)

Financial Overview:

The consolidated financial statements reflect the Group's move into operations, with AED 75.9 million in revenue during the year ended 31 December 2016, and a loss of AED 485 million in comparison to a loss of AED 111 million during the last year. A large portion of our loss reflects pre-opening expenses which are captured within our project cost. While we are happy to have attracted more than 300,000 visits to our destination in November and December, this number along with the revenue figure are a reflection of the ramp up of the business as not all parks were operational during these months.

Total assets at the end of 2016 stood at AED 12.8 billion primarily comprising AED 10.3 billion in property and equipment, investment properties, inventories, trade and other receivables in addition to AED 2.5 billion in cash / bank and other financial assets. Other financial assets which primarily comprise of deposits placed with banks have reduced to about AED 1 billion from AED 2.9 billion as at the end of last year which reflects the usage of funds for project construction. As at 31 December we had drawn down AED 3.4 billion of the AED 4.2 billion banking facility for Phase I.

During the year ended 31 December 2016, the Group recorded a loss for the year and therefore the Board of Directors has decided that no dividends will be proposed for 2016.

Looking ahead:

The principal focus for the Group in 2017 is achieving operational excellence and stable visitor numbers to Dubai Parks and Resorts. In the first few quarters of the year we will focus on identifying the optimal operating hours, resourcing plans and customer service levels.

We will also continue to focus on identifying means of reducing our operating cost structure. We expect that by the end of 2017, we will be in a good position to deliver stable revenue and visitor numbers.

Abdulwahab Al Halabi
Vice Chairman

Raed Kajoor Al Nuaimi
Chief Executive Officer

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
DXB Entertainments PJSC
Dubai
United Arab Emirates

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of DXB Entertainments PJSC (the "Company") and its Subsidiaries (together the "Group"), Dubai, United Arab Emirates which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates and we have fulfilled our other ethical responsibilities requirements in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (continued)

Key audit matters (continued)

Key audit matter	How the matter was addressed in our audit
Capital expenditure	
The assessment and timing of whether the assets meet the capitalisation criteria set out in IAS 16 property plant and equipment as well as the selection of appropriate useful economic lives, as set out in the Group's critical accounting policies requires the use of judgment. In addition, determining whether there is any indication of impairment of the carrying value of assets also requires judgment. Capital expenditure represents a material cost for the Group, there is a risk that expenditure is inappropriately capitalised against relevant accounting guidance and that the assets are not recoverable at their carrying value. The capital intensive nature of the business model means that the Group has a significant balance of property and equipment. There is a risk the future performance of the assets may not lead to their carrying values being recoverable in full.	We tested on a sample basis capital expenditure incurred and examined management's assessment as to whether the project spend met the recognition criteria set forth in IAS 16 Property, Plant and Equipment. Our procedures included understanding the business case of each asset, challenging any core assumptions or estimates, verifying capital project authorisation, tracing project costs to third-party evidence and assessing the useful economic life attributed to the asset. The Group appointed a third party expert to estimate the useful economic life of property and equipment. We assessed the competence, capabilities and objectivity of the third party expert, and verified their qualifications. We tested the data inputs used by the expert by agreeing them back to supporting documentation to assess the reliability, completeness and accuracy of the underlying data. We reviewed the expert's report independently of management and challenged the method and the assumptions used. In addition, we considered whether any indicators of impairment were present by understanding the business rationale for each asset and performing independent reviews for indicators of impairment, as well as testing management judgments to identify impairment of assets.

Key audit matters (continued)

Key audit matter	How the matter was addressed in our audit
Valuation of investment property	
The valuation of the Group's investment property is one of the key components of the net asset value of the Group. The investment property includes dining and retail destinations at the centre of Dubai Parks and Resorts. The valuation is carried out by third party Valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards 2014 Global Edition and IFRS and take into account, where available, evidence of market transactions for the property and locations comparable to those of the Group.	The Valuers used by the Group are a well-known firm, with considerable experience of the region. We assessed the competence, capabilities and objectivity of the Valuers, and verified their qualifications. We confirmed that the approaches used in the external valuation were consistent with RICS and the requirements of IFRS. We also discussed the scope of their work and reviewed the terms of their engagement in order to check that there were no unusual terms or fee arrangements. We tested the data inputs underpinning the investment property valuation including tenancy schedules and capital expenditure, by agreeing them back to supporting documentation to assess the reliability, completeness and accuracy of the underlying data. We reviewed the Valuers report independently of management and challenged the valuation method and the assumptions used.

Valuation of Group's derivative financial instruments and hedging	
The Group primarily has interest rate swaps. The Group applies hedge accounting to these derivative financial instruments which are used to hedge interest rate and foreign exchange risk in relation to the financial liability. The Group's management reviews comparisons of valuations to external confirmations, assessment of hedge effectiveness and the quality of consolidated financial statement disclosures.	We obtained direct external confirmations of the valuation for each derivative instrument held by the Group and agreed these to the fair values of the derivatives recorded by the Group; We ensured that the requirements of IAS 39: Financial instruments; Recognition and Measurement were met by: • ensuring the appropriateness of the methodology used by the management to hedge account; • using our own specialists to test a sample of valuations to ensure that the fair values of the derivatives had been reasonably calculated; • evaluating management's documentation and assessment of hedge effectiveness; and • we ensured that the consolidated financial statement disclosures were in accordance with the applicable accounting standards.

INDEPENDENT AUDITOR'S REPORT (continued)

Other information

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining information of the annual report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors and Audit Committee are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT (continued)

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the Group and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the Group's Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on other legal and regulatory requirements

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

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

ii. the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii. the Group has maintained proper books of account;

iv. the financial information included in the Directors' report is consistent with the Group's books of account;

v. note 1 to the consolidated financial statements of the Group discloses its investments in equity instruments during the financial year ended 31 December 2016;

vi. note 9 to the consolidated financial statements of the Group discloses material related party transactions, the terms under which they were conducted and principles of managing conflict of interests;

vii. based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2016; and

viii. There are no social contributions made during the financial year ended 31 December 2016.

Deloitte & Touche (M.E.)

Cynthia Corby
Registration No. 995
13 February 2017
Dubai
United Arab Emirates

Consolidated statement of financial position at 31 December 2016

	Notes	2016 AED'000	2015 AED'000
ASSETS			
Property and equipment	6	**9,465,013**	4,652,195
Investment properties	7	**633,773**	283,344
Inventories	8	**42,056**	-
Due from a related party	9	**20,999**	-
Trade and other receivables	10	**90,336**	372,021
Derivative financial instruments	11	**37,121**	1,711
Other financial assets	12	**989,527**	2,855,593
Cash and bank balances	13	**1,534,862**	461,436
Total assets		**12,813,687**	8,626,300
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**7,999,913**	6,321,828
Equity issue reserve	14	**-**	3,736
Cash flow hedging reserve	11	**37,121**	1,711
Accumulated losses		**(639,105)**	(149,257)
Total equity		**7,397,929**	6,178,018
Liabilities			
Bank facilities	15	**3,203,645**	1,257,569
Trade and other payables	16	**2,212,113**	1,177,838
Due to a related party	9	**-**	12,875
Total liabilities		**5,415,758**	2,448,282
Total equity and liabilities		**12,813,687**	8,626,300

Abdulwahab Al Halabi
Vice Chairman

Raed Kajoor Al Nuaimi
Chief Executive Officer

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

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016

	Notes	2016 AED'000	2015 AED'000
Revenue		**75,926**	-
Cost of sales		**(7,687)**	-
Gross profit		**68,239**	**-**
General, administrative, marketing and selling expenses	17	**(588,894)**	(141,904)
Other operating expenses		**(25,716)**	-
Interest income		**69,330**	46,222
Amortisation of borrowing cost	15	**(7,797)**	(15,249)
Loss for the year		**(484,838)**	(110,931)
Other comprehensive income			
Cash flow hedge - gain on fair value		**35,410**	1,711
Total comprehensive loss for the year		**(449,428)**	(109,220)
Loss per share:			
Basic and diluted loss per share (AED)	18	**(0.067)**	(0.018)

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

Consolidated statement of changes in equity for the year ended 31 December 2016

	Share capital AED'000	Equity issue reserve AED'000	Cash flow hedging reserve AED'000	Accumulated losses AED'000	Total AED'000
Balance at 1 January 2015	6,321,828	3,736	-	(38,326)	6,287,238
Loss for the year	-	-	-	(110,931)	(110,931)
Other comprehensive income for the year	-	-	1,711	-	1,711
Total comprehensive income/(loss) for the year	-	-	1,711	(110,931)	(109,220)
Balance at 31 December 2015	6,321,828	3,736	1,711	(149,257)	6,178,018
Additional issue of shares	1,678,085	-	-	-	1,678,085
Share issue costs	-	-	-	(8,746)	(8,746)
Transfer of equity issue reserve	-	(3,736)	-	3,736	-
Loss for the year	-	-	-	*(484,838)*	*(484,838)*
Other comprehensive income for the year	-	-	*35,410*	-	*35,410*
Total comprehensive income/(loss) for the year	-	-	35,410	(*484,838*)	(449,428)
Balance at 31 December 2016	**7,999,913**	**-**	**37,121**	**(639,105)**	**7,397,929**

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

Consolidated statement of cash flows
for the year ended 31 December 2016

	2016 AED'000	2015 AED'000
Cash flows from operating activities		
Loss for the year	**(484,838)**	(110,931)
Adjustments for:		
Depreciation expense	**37,087**	3,522
Interest income	**(69,330)**	(46,222)
Amortisation of borrowing cost	**7,797**	15,249
Provision/(reversal) for employees' end-of-service indemnity	**2,631**	(453)
Operating cash flows before changes in operating assets and liabilities	**(506,653)**	(138,835)
Decrease/(increase) in trade and other receivables	**302,985**	(151,121)
Increase in inventories	**(42,056)**	-
Increase in trade and other payables	**923,655**	603,674
Net cash generated by operating activities	**677,931**	313,718
Cash flows from investing activities		
Decrease in other financial assets	**1,866,066**	1,294,407
Additions to property and equipment	**(4,689,323)**	(2,646,460)
Additions to investment properties	**(257,806)**	(83,748)
Interest received	**69,363**	47,075
Net cash used in investing activities	**(3,011,700)**	(1,388,726)
Cash flows from financing activities		
Proceeds from additional shares issued	**1,678,085**	-
Share issue costs	**(8,746)**	-
Proceeds from bank facilities	**1,961,908**	1,461,258
Borrowing costs paid	**(59,034)**	(71,607)
Finance costs paid	**(131,144)**	(13,647)
Increase in restricted cash	**(93,077)**	(97,672)
Movement in a related party balance	**(33,874)**	(3,133)
Net cash generated by financing activities	**3,314,118**	1,275,199
Net increase in cash and cash equivalents	**980,349**	200,191
Cash and cash equivalents at the beginning of the year (Note 13)	**363,764**	163,573
Cash and cash equivalents at the end of the year (Note 13)	**1,344,113**	363,764

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

Notes to the consolidated financial statements for the year ended 31 December 2016

1. General information

DXB Entertainments PJSC (formerly known as Dubai Parks and Resorts PJSC) (the "Company") was originally formed as a limited liability company with commercial license number 673692 and was established on 11 July 2012. On 9 December 2014, approval from the Ministry of Economy was obtained and the Company was converted to a Public Joint Stock Company (PJSC) in accordance with UAE Federal Commercial Companies Law No. 8 of 1984, as replaced by UAE Federal Law No. 2 of 2015 ("Companies Law"). The Company is a subsidiary of Meraas Holding LLC (the "Ultimate Parent Company").

Pursuant to a resolution passed by shareholders at its General Assembly meeting held on 23 June 2016, with effect from 29 September 2016 Dubai Parks and Resorts PJSC has been renamed as DXB Entertainments PJSC.

The registered address of the Company is P.O. Box 123311, Dubai, United Arab Emirates ("UAE").

The licensed activities of the Company and its subsidiaries (collectively the "Group") are investment in commercial enterprises and management, real estate development, amusement parks, investment in and management of tourist enterprises and sport and recreational events, tickets e-trading, marketing management, facilities management services and event management.

The consolidated financial statements include the following subsidiaries:

Name of subsidiary	Place of incorporation	Date of incorporation	Percentage of ownership Legal	Percentage of ownership Beneficial	Activity
Motiongate (LLC)	Dubai, UAE	18 March 2013	99%	100%	Theme park development
Mgate Operations (LLC)*	Dubai, UAE	8 April 2013	100%	100%	Facilities management
Dubai Parks Destination Management (LLC)	Dubai, UAE	25 August 2014	99%	100%	Theme park development
Bollywood Parks (LLC)	Dubai, UAE	25 August 2014	99%	100%	Theme park development
Dubai Parks Hotel (LLC)	Dubai, UAE	25 August 2014	99%	100%	Real estate development
River Park (LLC)	Dubai, UAE	25 August 2014	99%	100%	Real estate development
LL Dubai Theme Park (LLC)	Dubai, UAE	7 September 2014	99%	100%	Theme park development
LL Dubai Operations (LLC)**	Dubai, UAE	14 October 2014	100%	100%	Facilities management
BWP Operations (LLC)***	Dubai, UAE	25 March 2015	100%	100%	Facilities management
SF Dubai (LLC)	Dubai, UAE	21 May 2015	99%	100%	Theme park development
LL Dubai Hotel (LLC)	Dubai, UAE	16 March 2016	99%	100%	Real estate development
Do Trips (LLC)****	Dubai, UAE	29 May 2016	100%	100%	Travel agent

* *Subsidiary of Motiongate (LLC)*
** *Subsidiary of LL Dubai Theme Park (LLC)*
*** *Subsidiary of Bollywood Parks (LLC)*
**** *Subsidiary of Dubai Parks Destination Management (LLC)*

Notes to the consolidated financial statements for the year ended 31 December 2016

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

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

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 *Regulatory Deferral Accounts.*
- Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative.
- Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation.
- Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities.
- Annual Improvements to IFRS 2012-2014 Cycle covering amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures and IAS 19 Employee Benefits (2011).

In 2015, the Group has opted for early adoption of IFRS 15 *Revenue from Contracts with Customers*. In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations. The application of this IFRS does not have any impact on the amounts reported as the Group.

2.2 New and revised IFRSs in issue but not yet effective and not early adopted

The Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRS	**Effective for annual periods beginning on or after**
• Annual Improvements to IFRS Standards 2014 - 2016 Cycle amending IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures.	IFRS 1 and IAS 28: 1 January 2018 IFRS 12: 1 January 2017
• Amendments to IAS 7 to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	1 January 2017
• IFRS 7 *financial instruments*: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
• Amendments to IFRS 7 *financial instruments:* Disclosures relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied

Notes to the consolidated financial statements for the year ended 31 December 2016

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

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

New and revised IFRS	Effective for annual periods beginning on or after
• Finalised version of IFRS 9 [IFRS 9 *Financial Instruments* (2014)] was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model. A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets. A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.	1 January 2018
• IFRS 16 *Leases* provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.	1 January 2019
• Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely
• Amendments to IAS 40 Investment Property: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 16, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

3. Significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) including International Financial Reporting Interpretation Committee (IFRIC) interpretations and applicable requirements of the laws in the UAE.

Basis of preparation

The consolidated financial statements of the Group have been prepared on the historical cost basis except for derivative financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability,

Notes to the consolidated financial statements for the year ended 31 December 2016

3. Significant accounting policies (continued)

Basis of preparation (continued)

the Group takes into account characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The consolidated financial statements of the Group are presented in Arab Emirates Dirham (AED) and all values are rounded to the nearest thousands dirham, except when otherwise indicated.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its Subsidiaries) up to 31 December each year. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its powers to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments.

Revenue recognition

Revenue arises from the operation of visitor attractions and theme park resorts. Revenue represents the amounts received from customers for admissions tickets, food and beverage sales, merchandising, retail/rental income and sponsorship.

Revenue is recognised at the time following conditions are satisfied:

- the Group has transferred significant risk and rewards;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor control;
- the amount of revenue can be measured reliably;
- it is probably that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Notes to the consolidated financial statements for the year ended 31 December 2016

3. Significant accounting policies (continued)

Investment properties

Investment properties comprise of properties held to earn rentals or for capital appreciation, or both, (including investment properties under construction for such purposes). Investment properties are measured initially at cost, including related transaction costs, less accumulated depreciation and any accumulated impairment losses in accordance with the cost model of IAS 16 Property, plant and equipment. No depreciation is charged on land and investment properties under construction.

Expenditure incurred to replace a component of an item of investment properties that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of investment properties. All other expenditure is recognised in consolidated statement of profit or loss and other comprehensive income as the expense is incurred.

Investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in consolidated statement of profit or loss and other comprehensive income in the year in which the property is derecognised.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by the ending of owner-occupation for a transfer from owner occupied property or commencement of an operating lease to another party for a transfer from inventories. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner-occupation for a transfer to owner occupied property or commencement of development with a view to sale for a transfer to inventories. Such transfers are made at the carrying value of the properties at the date of transfer.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as a lessee
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the year in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as a lessor
The Group has entered into operating leases on its investment property. The Group has determined, based on an evaluation of terms and condition of the arrangements, that it retains all significant risk and rewards of these properties and accounts for the leases as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Property and equipment

Property and equipment comprise of land, building and infrastructure, vehicles, IT and office equipment, furniture and fixture, rides and attractions and capital work-in-progress.

All items of property and equipment are initially recorded at cost. Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for capital work-in-progress. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Borrowing costs that are directly attributable to acquisition, construction or production of an asset are included in the cost of that asset.

Notes to the consolidated financial statements
for the year ended 31 December 2016

3. Significant accounting policies (continued)

Property and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. All other repairs and maintenance are charged to consolidated statement of profit or loss and other comprehensive income when incurred.

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

	Years
Building and infrastructure	10-50
Rides and attractions	10-20
Furniture and fixture	3 - 8
Vehicles	3 - 4
IT, office and other equipment	3 - 15

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Fully depreciated property and equipment are retained in the consolidated financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Capital work-in-progress

Capital work-in-progress includes properties that are being constructed or developed for future use. Cost includes pre-development infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are capitalised during the year when activities that are necessary to make the assets ready for their intended use are in progress. These properties are classified as capital work-in-progress until construction or development is completed.

Direct costs from the start of the project up to completion of the project are capitalised. No depreciation is charged on capital work-in-progress.

Classification of properties

Management determines at the time of acquisition or construction of the property, whether the property should be classified as development property, investment property or property, plant and equipment. The Group classifies a property as development property when the intention is to develop the property for the purpose of future sale to third parties. The Group classifies a property as investment property when the intention is to hold the property for rental, capital appreciation or for undetermined use. The Group classifies a property as property, plant and equipment when the intention is to use the property for its operations.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Borrowing / Finance costs

Borrowing / finance costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready.

Notes to the consolidated financial statements for the year ended 31 December 2016

3. Significant accounting policies (continued)

Derivative financial instruments

The Group deals with derivatives, primarily interest-rate swaps and forward exchange contracts.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the consolidated statement of profit or loss and other comprehensive income immediately. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative.

Hedge accounting

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in consolidated statement of profit or loss and other comprehensive income within other gains/ (losses).

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in consolidated statement of profit or loss and other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in consolidated statement of profit or loss and other comprehensive income.

Impairment of tangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount in excess of cost, in which case the impairment loss is treated as a revaluation decrease.

3. Significant accounting policies (continued)

Impairment of tangible assets (continued)

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so long as the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in consolidated statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount in excess of cost, in which case the reversal of the impairment loss is treated as a revaluation increase.

Foreign currency transactions

The consolidated financial statements of the Group are presented in the currency of the primary economic environment in which the Group operates (its functional currency). The consolidated financial statements are presented in Arab Emirates Dirhams which is the Group functional and presentational currency.

In preparing the consolidated financial statements, transactions in currencies other than the Group's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At the reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss and other comprehensive income for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in consolidated statement of profit or loss and other comprehensive income for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

Financial instruments

Financial assets and financial liabilities are recognized on the Group's statement of financial position when the Group becomes party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

<u>Financial assets</u>
Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments (HTM), 'available-for-sale' (AFS) financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All financial assets of the Group are categorized under 'loans and receivables'.

Loans and receivables
Loans and receivables including cash and bank balances, other financial assets, trade and other receivables (excluding prepayments and advances) that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Notes to the consolidated financial statements for the year ended 31 December 2016

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or where appropriate a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in consolidated statement of profit or loss and other comprehensive income.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through consolidated statement of profit or loss and other comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in consolidated statement of profit or loss and other comprehensive income.

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument.

Notes to the consolidated financial statements for the year ended 31 December 2016

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments issued by the Group (continued)

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities
Other financial liabilities including trade and other payables, bank facilities and due to a related party are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in the profit of loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management have made the following critical judgments that have most significant effect on the amounts recognised in the consolidated financial statements:

Notes to the consolidated financial statements for the year ended 31 December 2016

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

Accounting for borrowing cost

Management has considered IAS 39 *Financial Instruments: Recognition and Measurement* in accounting for borrowing costs for the Group's bank facilities. The partial draw down of the term loan occurred during the year and the related borrowing costs are amortized over the period of the term loan.

Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period that may have significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

Impairment of property and equipment and investment properties

The carrying values of the Group's property and equipment and investment properties are reviewed by the management to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Management judge the recoverable amount of an asset as the greater of its value in use and its fair value less cost to sell. To assess value in use, estimated future cash flows are discounted to their present value using an appropriate discount rate. The key assumptions and estimates used when calculating the net present value of future cash flows are: a) future cash flows; b) timing and quantum of future capital and maintenance expenditures; c) long term growth rates, and d) discount rates to reflect the risks involved. As at the reporting date, there is no indication of impairment.

Estimated useful lives of property and equipment and investment properties

The asset's residual values and useful lives are reviewed at the reporting date and adjusted if appropriate, taking into account technology developments. Uniform depreciation rates are established based on the straight-line method which may not represent the actual usage of the assets. As asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Fair value measurements and valuation processes

Group's selected assets and liabilities are measured at fair value for financial reporting purposes. The Group determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 7 and 11.

5. Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses. The Group currently determines and presents financial information as a single operating segment based on the information that is provided internally to corporate management for decision making.

Notes to the consolidated financial statements for the year ended 31 December 2016

6. Property and equipment

	Land AED'000	Building and infrastructure AED'000	Vehicles AED'000	IT and other equipment AED'000	Furniture and fixture AED'000	Rides and attractions AED'000	Capital work-in-progress AED'000	Total AED'000
Cost								
As at 1 January 2015	716,443	-	321	972	-	-	1,276,988	1,994,724
Additions (a)	-	7	5,011	6,028	741	-	2,649,635	2,661,422
Reclassification	-	14,050	-	745	5,234	-	(20,029)	-
As at 31 December 2015	716,443	14,057	5,332	7,745	5,975	-	3,906,594	4,656,146
Additions (a)	390,000	85	400	19,916	5,117	867	4,526,143	4,942,528
Reclassification	-	5,963,673	-	1,064,743	85,492	1,033,618	(8,147,526)	-
Transfers from / (to) investment property	62,130	-	-	-	-	-	(158,483)	(96,353)
As at 31 December 2016	**1,168,573**	**5,977,815**	**5,732**	**1,092,404**	**96,584**	**1,034,485**	**126,728**	**9,502,321**
Accumulated depreciation								
As at 1 January 2015	-	-	113	316	-	-	-	429
Charge for the year	-	702	571	1,058	1,191	-	-	3,522
As at 31 December 2015	-	702	684	1,374	1,191	-	-	3,951
Charge for the year	-	10,207	1,502	16,896	2,017	2,735	-	33,357
As at 31 December 2016	**-**	**10,909**	**2,186**	**18,270**	**3,208**	**2,735**	**-**	**37,308**
Carrying amount								
At 31 December 2016	**1,168,573**	**5,966,906**	**3,546**	**1,074,134**	**93,376**	**1,031,750**	**126,728**	**9,465,013**
At 31 December 2015	716,443	13,355	4,648	6,371	4,784	-	3,906,594	4,652,195

Notes to the consolidated financial statements for the year ended 31 December 2016

6. Property and equipment (continued)

a) Additions incurred during the year ended 31 December 2016 and 31 December 2015 includes purchases made from a related party [Note 9 (c)].

b) Finance costs and amortised borrowing costs capitalised during the year under capital work in progress amounted to AED 145 million (31 December 2015: AED 15 million).

c) IT and office equipment includes AED 343 million on account of leasehold assets.

7. Investment properties

	Land AED'000	Building and infrastructure AED'000	IT and Other equipment AED'000	Furniture and fixture AED'000	Capital work-in-progress AED'000	Total AED'000
Cost						
As at 1 January 2015	179,795	-	-	-	19,801	199,596
Additions during the year	-	-	-	-	83,748	83,748
As at 31 December 2015	179,795	-	-	-	103,549	283,344
Additions during the year	-	-	-	-	257,806	257,806
Transfer	-	351,155	5,105	5,095	(361,355)	-
Transfers from / (to) Property and Equipment	(62,130)	122,430	36,053	-	-	96,353
As at 31 December 2016	**117,665**	**473,585**	**41,158**	**5,095**	**-**	**637,503**
Accumulated depreciation						
As at 1 January 2015	-	-			-	-
Charge for the year	-	-	-	-	-	-
As at 31 December 2015	-	-	-	-	-	-
Charge for the year	-	2,676	948	106	-	3,730
As at 31 December 2016	**-**	**2,676**	**948**	**106**	**-**	**3,730**
Carrying amount						
At 31 December 2016	**117,665**	**470,909**	**40,210**	**4,989**	**-**	**633,773**
At 31 December 2015	179,795	-	-	-	103,549	283,344

The Group carries its investment properties at cost less accumulated depreciation and impairment losses under the cost model in accordance with IAS 16, 'property, plant and equipment'. At each reporting date, the Group evaluate the fair values of its investment properties.

Fair value
IAS 40 requires separate disclosure of the fair values of investment property when the cost model is used. The Group engages professionally qualified external valuers at least once every three years to determine the fair values for disclosure purposes. The fair values for all other years are determined by the Group's professionally qualified internal valuation teams. The fair value has been performed by qualified external valuers using Income capitalisation / Discounted cash flow method for the Groups investment property.

Valuation technique underlying management's estimation of fair value
'Income capitalisation / Discounted cash flow method' involves the capitalisation of the net rent receivable, which provides a current and potential future net income stream, in perpetuity at an appropriate investment yield. The valuation was performed in accordance with RICS Appraisals and Valuation Standards as adapted for Dubai and UAE Law and Regulations, and is reflective of the economic conditions prevailing as at the reporting date.

Notes to the consolidated financial statements for the year ended 31 December 2016

7. Investment properties (continued)

Valuation technique underlying management's estimation of fair value (continued)

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy of the Group's portfolios of investment property are:

- Gross Market Rent (AED 70.7 million per annum)
- Rent growth per annum (incorporated with Yield)
- Estimated long term occupancy rate (95%)
- True Equivalent Yield (9.30%) and void rate (5%)

A formal external valuation of the Group's investment property was performed as at the reporting date. Based on such valuation, the fair value of the investment property was AED 744 million as at 31 December 2016. There were no changes to the valuation techniques during the year.

8. Inventories

	2016 AED'000	2015 AED'000
Merchandise	**32,965**	-
Other operating inventory	**9,091**	-
	42,056	-

9. Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24 *Related Party Disclosures*. Related parties comprise companies and entities under common ownership and/or common management and control, and key management personnel.

At the reporting date, related party balances are as follows:

	2016 AED'000	2015 AED'000
Due from parent company	**20,999**	-
Due to parent company	**-**	12,875

a) The management decides on the terms and conditions of the transactions and of services received from/rendered to related parties as well as on other charges which are equivalent to prevailing arm's length transactions.

b) Due from a related party amounting to 21 million (31 December 2015: Nil) represents the amount receivable for project management services performed on behalf of the Ultimate Parent Company and share of common costs allocated to a project of the Ultimate Parent Company. Due to a related party amounting to AED Nil (31 December 2015: AED 13 million) represents payments made to contractors / suppliers on behalf of the Group.

c) During the year ended 31 December 2016, the Group purchased land amounting to AED 390 million from a related party for Six Flags Dubai Project ("SF Project"). In addition, an amount of AED 92 million (31 December 2015: Nil) has been added to capital work-in-progress relating to reimbursement of costs to a related party in relation to the SF Project [Note 6 (a)].

The Group also purchased IT and office equipment amounting to AED 0.6 million during the period ended 31 December 2016 (31 December 2015: AED 2.4 million).

Notes to the consolidated financial statements for the year ended 31 December 2016

9. Related party transactions (continued)

d) The key management remuneration during the year was as follows:

	2016 AED'000	2015 AED'000
Key management personnel		
Short term benefits	**13,530**	12,301
Long term benefits	**363**	575
	13,893	12,876

10. Trade and other receivables

	2016 AED'000	2015 AED'000
Trade receivables	**4,007**	-
Advances to contractors	**33,152**	368,544
Prepayments and other receivables	**52,588**	2,855
Interest receivable	**589**	622
	90,336	372,021

11. Derivative financial instruments

	31 December 2016		
	Positive fair value AED'000	**Notional amount AED'000**	**Notional amount by term maturity AED'000**
Interest rate swaps	**37,121**	**2,199,236**	**2,199,236**

	31 December 2015		
	Positive fair value AED'000	Notional amount AED'000	Notional amount by term maturity AED'000
Interest rate swaps	1,711	1,053,539	1,053,539

The Group entered into interest rate swaps ('IRS') for the loan draw down denominated in USD which was designated as a hedging instrument. These IRS are categorised as level 3 as one or more of the significant inputs is not based on observable market data.

12. Other financial assets

Other financial assets include margin deposits amounting to AED 23 million (31 December 2015: AED 56 million) held by banks under lien against credit facilities issued to the Group and fixed deposits amounting to AED 966 million (2015: AED 2.8 billion) held by banks with maturity periods of more than three months from the reporting date. The fixed deposits earned interest rates ranging 1% to 3% (31 December 2015: 1% to 2%)per annum.

Notes to the consolidated financial statements for the year ended 31 December 2016

13. Cash and bank balances

	2016 AED'000	2015 AED'000
Cash on hand	**3,809**	125
Cash at bank	**1,531,053**	461,311
	1,534,862	461,436
Less: Restricted cash	**(190,749)**	(97,672)
Cash and cash equivalents	**1,344,113**	363,764

Cash at bank includes call accounts that earn interest up to 1% (31 December 2015: 1%) per annum. The short-term deposits held by banks with maturity periods less than three months earning average interest rate ranging 2% to 3% (31 December 2015: Nil) per annum.

14. Share capital

	31 December 2016 AED'000	31 December 2015 AED'000
Authorised capital 12,643,655,416 shares of AED 1 each (31 December 2015: 6,321,827,708 shares of AED 1 each)	**12,643,655**	6,321,828
Issued and fully paid-up 7,999,912,670 shares of AED 1 each (31 December 2015: 6,321,827,798 shares of AED 1 each)	**7,999,913**	6,321,828

Following the Company's Annual General Meeting held on 18 April 2016, the Company:

- increased its authorised share capital to AED 12.6 billion;
- increased its issued share capital by AED 1.7 billion through a rights issue; and
- transferred and offset the equity issue reserve of AED 3.7 million against the accumulated losses.

Pursuant to the rights issue, the Ultimate Parent Company owns 52% of the Group' shares as of 31 December 2016 (31 December 2015: 60%).

15. Bank facilities

	31 December 2016 AED'000	31 December 2015 AED'000
Term loans	**3,423,166**	1,461,258
Gross borrowing costs	**257,093**	220,216
Less: Cumulative amortisation *	**(37,572)**	(16,527)
Un-amortised borrowing costs	**219,521**	203,689
Carrying amount	**3,203,645**	1,257,569

* Amortised borrowing costs during the year includes AED 14 million (31 December 2015: AED 1.3 million) capitalised within capital work in progress.

Notes to the consolidated financial statements for the year ended 31 December 2016

15. Bank facilities (continued)

	31 December 2016 AED'000	31 December 2015 AED'000
Later than 1 year and not longer than 2 years	**140,375**	60,041
Later than 2 years and not longer than 5 years	**1,029,881**	700,605
Later than 5 years	**2,192,869**	700,612
Amounts due for settlement after 12 months	**3,363,125**	1,461,258
Amounts due for settlement within 12 months	**60,041**	-
	3,423,166	1,461,258

Term loan

a) The Group has bank facilities of AED 5.2 billion (31 December 2015: AED 4.2 billion) in the form of term loans which were partially utilised up to 31 December 2016 to the amount of AED 3.4 billion (31 December 2015: AED 1.5 billion). A new facility arranged during the year amounting to AED 1 billion for the SF Project.

b) Term loan of AED 4.2 billion is repayable in quarterly instalments commencing in 2017 and maturing in 2026. Term loan of AED 1 billion is repayable in quarterly instalments commencing in 2019 and maturing in 2027. The term loans utilised carry interest at LIBOR + 3.5% and EIBOR + 3.15% per annum (31 December 2015: LIBOR + 3.5% and EIBOR + 3.15% per annum).

c) The syndicated facilities are secured by a range of mortgages over property owned by the Group, security over bank accounts, assignments of certain contracts, certain rights to receivables and intra-group loans and pledges over certain bank accounts and deposits.

Letters of credit

d) As at 31 December 2016, the Group has letters of credit facility amounting to AED 173 million (31 December 2015: AED 449 million) and outstanding letters of credit at the reporting date amounting to AED 48 million (31 December 2015: AED 127 million). The letters of credit are secured by way of:
- Pledge over Wakala deposits; and
- Assignment of existing cash flows from a project of a related party.

e) The letters of credit are subject to certain covenants. As at the reporting date, the Group is in compliance with the required covenants.

16. Trade and other payables

	2016 AED'000	2015 AED'000
Trade payables	**438,013**	129,208
Accrued expenses (a)	**1,207,755**	902,829
Retentions payable (b)	**383,209**	133,647
Rent and other advances	**148,460**	9,967
Deferred revenue	**22,505**	-
Provision for employees end-of-service indemnity (c)	**5,579**	1,987
Other liabilities	**6,592**	200
	2,212,113	1,177,838

Notes to the consolidated financial statements for the year ended 31 December 2016

16. Trade and other payables (continued)

a) Included in accrued expenses are costs already incurred on capital work-in-progress amounting to AED 1 billion (31 December 2015: AED 0.9 billion) but have not yet been certified as at the reporting date.

b) Retentions payable represent amounts withheld in accordance with the terms of the contract when progress payments are made to the contractors. Retentions payable are settled based on contractual terms.

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

17. General, administrative, marketing & selling expenses

	2016 AED'000	2015 AED'000
Salaries and other employee benefits *	**238,229**	88,733
Advertisement expenses	**197,183**	16,845
Depreciation expense	**37,087**	3,522
Rent	**21,336**	2,534
Professional and legal expenses	**15,655**	10,263
Repairs & maintenance	**13,899**	286
Exhibition expenses	**8,035**	6,439
Recruitment expenses	**7,601**	3,436
Supplies and communication expenses	**5,514**	2,878
Travel expenses	**5,314**	2,619
Directors' fee	**3,700**	1,267
Other	**35,341**	3,082
	588,894	141,904

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

18. Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the number of ordinary shares in issue during the year.

	2016	**2015**
Loss attributable to equity holders of the Company (in AED'000)	(484,838)	(110,931)
Weighted average number of shares (in '000)		
Outstanding at 1 January 2016	6,321,828	6,321,828
Issue of new shares – weighted average	960,876	-
Outstanding at 31 December 2016	7,282,704	6,321,828
Basic loss per share (in AED)	(0.067)	(0.018)

Notes to the consolidated financial statements for the year ended 31 December 2016

19. Commitments and contingent liabilities

(a) Commitments

Contracted-for commitments for the acquisition of services related to development and construction of assets classified under property and equipment and investment properties accounts amounted to AED 0.6 billion as at 31 December 2016 (2015: AED 3.2 billion).

(b) Contingent liabilities

	2016 **AED'000**	2015 AED'000
Letters of credit	**47,723**	126,857

(c) Operating lease rentals

	2016 **AED'000**	2015 AED'000
Not later than 1 year	**40,000**	-
Later than 1 year and not longer than 5 years	**57,000**	-
	97,000	-

20. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3.

(b) Categories of financial instruments

	2016 **AED'000**	2015 AED'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,549,984**	3,317,651
Derivative financial instrument- at fair value	**37,121**	1,711
	2,587,105	3,319,362
Financial liabilities		
At amortised cost	**5,458,735**	2,436,328

(c) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of financial instruments measured at amortised cost

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Notes to the consolidated financial statements for the year ended 31 December 2016

20. Financial instruments (continued)

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

Valuation of financial instruments recorded at fair value is based on quoted market prices and other valuation techniques.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on the present value calculation of the expected future cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The financial instruments are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at the year end, the carrying value of the financial assets and financial liabilities approximates to their fair values.

21. Financial risk management

The Group's financial risk management policies set out the Group's overall business strategies and risk management philosophy. The Group's overall financial risk management program seeks to minimize potential adverse effects to the financial performance of the Group. The management carries out overall financial risk management covering specific areas, such as market risk (including foreign exchange risk and interest rate risk), credit risk, and liquidity risk and investing excess cash.

The Group's activities in future periods will expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates.

The Group does not hold or issue derivative financial instruments for speculative purposes.

(a) Interest rate risk management

The Group's exposure to interest rate risk relates to its bank facilities, bank call accounts and other financial assets. The bank call accounts and other financial assets carry a rate of interest up to 1% - 3% per annum.

The Group's exposure to interest rate risk relates primarily to its term loan. Term loan bear interest rate at LIBOR + 3.5% and EIBOR + 3.15% per annum for the USD and AED tranches respectively (2015: LIBOR + 3.5% and EIBOR + 3.15% per annum) (Note 14).

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 20% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates.

If interest rates had been 20% higher/lower and all other variables were held constant, the Group's interest cost for the year ended 31 December 2016 would decrease/increase by AED 4 million (2015: 0.2 million) This is mainly attributable to the Group's exposure to interest rates on its variable rate term loan.

Notes to the consolidated financial statements for the year ended 31 December 2016

21. Financial risk management (continued)

(b) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The credit risk on liquid funds is limited because the counterparties are banks registered in the U.A.E.

(c) Foreign currency risk management

At the reporting date, there were no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in United Arab Emirates Dirhams (AED) or United States Dollars (USD) to which the AED is fixed.

(d) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the management which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding. The Group manages liquidity risk by maintaining adequate reserves, and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the expected maturity and the earliest date on which the Group is expected to receive for financial assets and to pay for financial liabilities. The table includes principal cash flows only.

Liquidity risk tables

	Weighted average Interest rate %	Less than 1 year AED'000	More than 1 year AED'000	Total AED'000
Financial assets				
2016				
Non-interest bearing financial assets	**-**	**220,153**	**-**	**220,153**
Fixed interest bearing financial assets	**2**	**2,329,831**	**-**	**2,329,831**
Derivative financial instrument	**1.53**	**-**	**37,121**	**37,121**
		2,549,984	**37,121**	**2,587,105**
2015				
Non-interest bearing financial assets	-	125	-	125
Fixed interest bearing financial assets	2	3,317,526	-	3,317,526
Derivative financial instrument	1.74	-	1,711	1,711
		3,317,651	1,711	3,319,362
Financial liabilities				
2016				
Variable Interest bearing financial liabilities	**3.75**	**60,041**	**3,363,125**	**3,423,166**
Non-interest bearing financial liabilities	**-**	**2,035,569**	**-**	**2,035,569**
		2,095,610	**3,363,125**	**5,458,735**
2015				
Variable Interest bearing financial liabilities	3.75	-	1,461,258	1,461,258
Non-interest bearing financial liabilities	-	1,178,759	-	1,178,759
		1,178,759	1,257,569	2,640,017

Notes to the consolidated financial statements for the year ended 31 December 2016

22. Capital management

The capital structure of the Group consists of cash and cash equivalents, equity attributable to equity holders of the Company and bank borrowings. The Group's objective when managing capital is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business; to provide returns for shareholders; and to optimise the capital structure to reduce the cost of capital.

To enable the Group to meet its objective, the Directors monitor capital through constant review of the Group's capital investment programme and through regular budgeting and planning processes.

23. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and signed for issuance on 13 February 2017.