FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have the pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

Details of the subsidiaries are disclosed in Note 17 to the financial statements.

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

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

RESULTS

	Group	Company
	RM'000	RM'000
Profit net of tax	237,098	215,641
Profit attributable to:		
Owners of the parent	236,486	215,641

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

SHARE CAPITAL

There were no issuance of equity during the financial year.

DIRECTORS' REPORT

DIVIDENDS

The amount of dividends declared or paid by the Company since 31 December 2016 were as follows:

	RM'000
In respect of the financial year ended 31 December 2016 as reported in the directors' report of that year:	
Single-tier final dividend of 6 sen, on 1,659,191,829 ordinary shares, declared on 25 May 2017 and paid on 16 June 2017	99,552
In respect of the financial year ended 31 December 2017:	
Single-tier interim dividend of 5 sen, on 1,659,191,829 ordinary shares, declared on 31 July 2017 and paid on 25 August 2017	82,960
	182,512

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2017, of 8 sen on 1,659,191,829 ordinary shares on single-tier basis, with a total quantum of RM132,735,000 will be proposed for shareholders' approval (Proposed Final Dividend).

The financial statements for the current financial year do not reflect these dividends. Such dividends will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

DIRECTORS

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

Y.A.M. Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail (appointed on 7 June 2017)
Datuk Mohd Badlisham bin Ghazali
Dato' Sri Dr. Mohmad Isa bin Hussain
Dato' Mohd Izani bin Ghani
Datuk Seri Yam Kong Choy
Datuk Zalekha binti Hassan
Rosli bin Abdullah
Dato' Ir. Mohamad bin Husin
Datuk Azailiza binti Mohd Ahad
Jamilah binti Dato' Hashim (appointed on 1 June 2017)
Mohd Khairul Adib bin Abd Rahman (appointed on 15 November 2017)
Mohd Shihabuddin bin Mukhtar [alternate director to Dato' Sri Dr. Mohmad Isa bin Hussain] (appointed on 6 February 2017)
Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah (resigned on 6 June 2017)
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin (retired on 25 May 2017)
Datuk Ruhaizah binti Mohamed Rashid (resigned on 7 July 2017)
Dato' Chua Kok Ching [alternate director to Datuk Ruhaizah binti Mohamed Rashid] (ceased on 7 July 2017)
Norazura binti Tadzim [alternate director to Dato' Sri Dr. Mohmad Isa bin Hussain] (resigned on 6 February 2017)

DIRECTORS OF SUBSIDIARIES

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

Ahmad Tarmizi bin Mohd Hashim
Azli bin Mohamed (appointed on 20 November 2017)
Azrin bin Abdul Majid
Azri bin Zaharuddin (appointed on 1 June 2017)
Datin Nik Ruziah Nik Mohd Salleh
Dato' Abu Bakar bin Mohd Nor
Dato' Chua Kok Ching
Darwish Abdulla D Al-Darwish
Deven Coopoosamy
Dr. Sharifuddin bin Abdul Hamid
Ir. Khairiah binti Haji Salleh
Ir. Suradini binti Abdul Ghani
Jayechund Jingree
Mansoor bin Wan Abdullah
Mohammad Suhaimi bin Abdul Mubin
Mohd Nazli bin Abdul Aziz
Nornajihah binti Ismail
Radin Asrul Adza bin Radin Soenarno
Raja Azmi bin Raja Nazuddin (appointed on 29 April 2017)
Randhill Singh a/l Amrick Singh
Sharmil Shah
Sushil Kumar Jogoo
Veelayudan a/l Krishnan Nair
Vivienne Lee Swee Lian @ Lee Abdullah
Zainol bin Mohd Isa
Zafer Sonmez
Dato' Wan Awang bin Wan Yaacob (resigned on 24 May 2017)
Sabarina Laila binti Dato' Mohd Hashim (resigned on 20 November 2017)

DIRECTORS' REPORT

DIRECTORS' BENEFITS

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

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

The Directors and Officers of the Group and of the Company are covered by the Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance is maintained on a group basis and the total premium paid by the Group during the financial year amounted to RM114,000.

DIRECTORS' INTERESTS

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

OTHER STATUTORY INFORMATION

(a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

   (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

OTHER STATUTORY INFORMATION (CONTD.)

(e) At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENT DURING THE YEAR

Significant event during the year is disclosed in Note 39 to the financial statements.

AUDITORS

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

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

INDEMNIFICATION OF AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 1 March 2018.

Y.A.M. Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail

Datuk Mohd Badlisham bin Ghazali

STATEMENT BY DIRECTORS

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

We, Y.A.M. Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail and Datuk Mohd Badlisham bin Ghazali, being two of the directors of Malaysia Airports Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 176 to 309 are drawn up in accordance with the requirements of the Companies Act, 2016 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 1 March 2018.

Y.A.M. Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail

Datuk Mohd Badlisham bin Ghazali

STATUTORY DECLARATION

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

I, Raja Azmi bin Raja Nazuddin (MIA Number: 8515), being the officer primarily responsible for the financial management of Malaysia Airports Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 176 to 309 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Raja Azmi bin Raja Nazuddin at Kuala Lumpur in the Federal Territory on 1 March 2018.

Raja Azmi bin Raja Nazuddin

Before me,

PESURUHJAYA SUMPAH
No: W 678
Name: KAPT (B) AFFANDI BIN AHMAD
MALAYSIA

No. 86, Tingkat Bawah
Jalan Putra
50350 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALAYSIA AIRPORTS HOLDINGS BERHAD

(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Malaysia Airports Holdings Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 176 to 309.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards ("FRS") and the requirements of the Companies Act, 2016 in Malaysia.

BASIS FOR OPINION

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

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. The key audit matters for the audit of the financial statements of the Group are described below and we have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

KEY AUDIT MATTERS (CONTD.)

IMPAIRMENT OF INTANGIBLE ASSETS

The intangible assets represent a significant amount on the statement of financial position of the Group as disclosed in Note 16 to the financial statements. Under FRS, the Group is required to test the amount of intangible assets with finite useful life for impairment by comparing its recoverable amount with its carrying amount whenever there is an indication that the intangible assets may be impaired. Due to the current environment and the losses arising from operations in Turkey, there is an indication that the assets in Istanbul Sabiha Gokcen Uluslararasi Havalimani Yatirim Yapim ve Isletme A.S ("ISG") may be impaired.

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

In addressing the risk, the Component team (subsidiary's auditor) considered the objectivity, independence and expertise of the firm of independent valuer engaged by the Group. We evaluated the Component team's procedures, which included the evaluation of the Directors' impairment calculations, assessment of the cash flow forecasts and projections used in the models, and the process by which they were drawn up and testing the underlying calculations. The Component team challenged:

- The key assumptions for long-term growth rates in the forecasts by comparing them to historical results, and economic and industry forecasts which was supported by an independent valuation report; and

- The discount rate by assessing the cost of capital and that of comparable organisations.

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

LITIGATION

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALAYSIA AIRPORTS HOLDINGS BERHAD

(Incorporated in Malaysia)

KEY AUDIT MATTERS (CONTD.)

AMORTISATION OF INTANGIBLE ASSETS

As at 31 December 2017 the net book value of intangible assets of the Group amount to RM17,409,638,000 as disclosed in Note 16 to the financial statements. The useful lives of the intangible assets are amortised on usage based method.

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

Malaysia Operations

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

Turkey Operations

The Component team has considered the objectivity, independence and expertise of the firm of independent valuer engaged by the Component. We evaluated the Component team's evaluation of the Directors' amortisation calculations and the process by which they were drawn up and testing the underlying calculations. The Component team challenged the key assumptions for long-term growth rates of the passenger volumes, in the forecasts by comparing them to historical actual results, and economic and industry forecasts which were supported by an independent valuation report.

RECOVERABILITY OF DEFERRED TAX ASSETS

As at 31 December 2017, the Group's deferred tax assests amount to RM236,515,000 as disclosed in Note 24 to the financial statements. We focus on this area as the recognition of these assets involves judgement by management as to the likelihood of the realisation of these deferred tax assets, which is based on a number of factors, including whether there will be sufficient taxable profits in future periods to support recognition of the said deferred tax.

Our procedures in relation to management's assessment on the recoverability of deferred tax assets included:

- Understanding and assessing the identification process of temporary differences and calculating deferred tax assets; and

- Assessing the accuracy of forecasted future taxable profits by evaluating historical forecasting accuracy and comparing the assumptions, such as projected growth rates, with our own expectations of those assumptions derived from our knowledge of the industry and our understanding obtained during our audit, including where applicable their consistency with business plans and forecasts used for impairment testing purposes.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' report.

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
MALAYSIA AIRPORTS HOLDINGS BERHAD
(Incorporated in Malaysia)

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALAYSIA AIRPORTS HOLDINGS BERHAD

(Incorporated in Malaysia)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 17 to the financial statements.

OTHER MATTERS

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

Ernst & Young
AF: 0039
Chartered Accountants
Kuala Lumpur, Malaysia
1 March 2018

Ahmad Qadri Bin Jahubar Sathik
No. 3254/05/18(J)
Chartered Accountant

STATEMENTS OF PROFIT OR LOSS

For the financial year ended 31 December 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	3	4,652,338	4,172,768	254,000	119,711
Cost of inventories sold		(448,977)	(396,917)	-	-
Other income	4	230,935	220,741	378,850	434,828
Employee benefits expense	5	(852,144)	(770,263)	(167,124)	(138,740)
Construction costs		(57,905)	-	-	-
Depreciation and amortisation		(880,824)	(852,540)	(16,105)	(15,875)
Other expenses		(1,613,378)	(1,516,420)	(79,038)	(60,519)
Finance costs	6	(716,185)	(689,769)	(151,023)	(158,038)
Share of results of associates	18	5,801	1,676	-	-
Share of results of joint ventures	19	14,824	14,055	-	-
Profit before tax and zakat	7	334,485	183,331	219,560	181,367
Taxation and zakat	9	(97,387)	(110,157)	(3,919)	2,828
Profit net of tax		237,098	73,174	215,641	184,195
Profit attributable to:					
Owners of the parent		236,486	70,386	215,641	184,195
Non-controlling interests		612	2,788	-	-
		237,098	73,174	215,641	184,195
Earnings per share attributable to owners of the parent					
(sen per share)					
- basic, for profit for the year	11	10.82	0.94		

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

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit net of tax		237,098	73,174	215,641	184,195
Other comprehensive income:					
Available-for-sale investments					
- Gain/(loss) on fair value changes	20	264,368	2,968	(4,456)	2,925
Foreign currency translation		41,955	1,049	-	-
Unrealised gain/(loss) on derivative financial instruments	33	8,826	(23,926)	-	-
Other comprehensive income/(loss) for the year, net of tax		315,149	(19,909)	(4,456)	2,925
Total comprehensive income for the year		552,247	53,265	211,185	187,120
Total comprehensive income attributable to:					
Owners of the parent		551,635	50,477	211,185	187,120
Non-controlling interests		612	2,788	-	-
		552,247	53,265	211,185	187,120

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		Group	
	Note	2017 RM'000	2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	349,847	381,665
Plantation development expenditure	14	67,236	66,690
Land use rights	15	7,034	7,141
Intangible assets	16	17,409,638	17,230,972
Investments in associates	18	44,962	36,161
Investments in joint ventures	19	92,031	82,720
Available-for-sale investments	20	418,749	234,729
Trade and other receivables	22	438,268	411,111
Employee loans	23	27,711	31,710
Deferred tax assets	24	236,515	215,886
		19,091,991	18,698,785
Current assets			
Inventories	25	140,591	135,235
Trade and other receivables	22	791,900	871,555
Tax recoverable		10,181	10,958
Cash and cash equivalents	26	2,460,980	1,571,876
		3,403,652	2,589,624
Asset of disposal group classified as held for disposal	10	-	151
		3,403,652	2,589,775
Total assets		22,495,643	21,288,560

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	27	5,114,341	1,659,192
Perpetual Sukuk	32	997,842	997,842
Share premium	27	-	3,455,149
Retained earnings	28	2,320,248	2,321,187
Fair value adjustment reserve	29	272,636	8,268
Hedging reserve	33	(28,591)	(37,417)
Other reserves	30(b)	6,891	6,801
Foreign exchange reserve	30(a)	325,790	283,835
		9,009,157	8,694,857
Non-controlling interests		-	2,031
Total equity		9,009,157	8,696,888
Non-current liabilities			
Loans and borrowings	31	5,126,028	5,386,142
Derivative financial instruments	33	37,462	43,393
Trade and other payables	34	5,172,888	4,460,533
Deferred tax liabilities	24	916,457	935,840
		11,252,835	10,825,908
Current liabilities			
Loans and borrowings	31	423,258	193,638
Derivative financial instruments	33	8,644	3,389
Trade and other payables	34	1,752,363	1,538,571
Income tax payable		49,386	30,147
		2,233,651	1,765,745
Liability of disposal group classified as held for disposal	10	-	19
		2,233,651	1,765,764
Total liabilities		13,486,486	12,591,672
Total equity and liabilities		22,495,643	21,288,560

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		Company	
	Note	2017 RM'000	2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	71,467	73,531
Investments in subsidiaries	17	1,962,902	1,943,696
Investments in joint ventures	19	53,718	53,718
Available-for-sale investments	20	107,894	188,416
Other receivables	22	4,611,275	4,998,489
Deferred tax asset	24	1,152	3,361
		6,808,408	7,261,211
Current assets			
Inventories	25	13	13
Other receivables	22	2,560,115	2,340,598
Tax recoverable		1,814	1,622
Cash and cash equivalents	26	525,613	223,614
		3,087,555	2,565,847
Total assets		9,895,963	9,827,058

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	Company 2017 RM'000	Company 2016 RM'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	27	5,114,341	1,659,192
Perpetual Sukuk	32	997,842	997,842
Share premium	27	-	3,455,149
Retained earnings	28	109,169	133,540
Fair value adjustment reserve	29	3,713	8,169
Total equity		6,225,065	6,253,892
Non-current liability			
Loans and borrowings	31	3,100,000	3,350,000
Current liabilities			
Loans and borrowings	31	250,000	-
Other payables	34	320,898	223,166
		570,898	223,166
Total liabilities		3,670,898	3,573,166
Total equity and liabilities		9,895,963	9,827,058

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

		Attributable to owners of the parent										
		Non-distributable										
Group	Note	Share capital RM'000 (Note 27)	Perpetual Sukuk RM'000 (Note 32)	Share premium RM'000 (Note 27)	Fair value adjustment reserve RM'000 (Note 29)	Foreign exchange reserve RM'000 (Note 30(a))	Hedging reserve RM'000 (Note 33)	Other reserves RM'000 (Note 30(b))	Distributable retained earnings RM'000 (Note 28)	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2016		1,659,192	997,842	3,455,149	5,300	282,786	(13,491)	5,083	2,449,491	8,841,352	(757)	8,840,595
Total comprehensive income		-	-	-	2,968	1,049	(23,926)	-	70,386	50,477	2,788	53,265
Legal reserve	30(b)	-	-	-	-	-	-	1,718	-	1,718	-	1,718
Distribution to Perpetual Sukuk holder	32	-	-	-	-	-	-	-	(57,658)	(57,658)	-	(57,658)
Transaction with owners:												
Dividends	12	-	-	-	-	-	-	-	(141,032)	(141,032)	-	(141,032)
Total transaction with owners		-	-	-	-	-	-	-	(141,032)	(141,032)	-	(141,032)
At 31 December 2016		1,659,192	997,842	3,455,149	8,268	283,835	(37,417)	6,801	2,321,187	8,694,857	2,031	8,696,888
At 1 January 2017		1,659,192	997,842	3,455,149	8,268	283,835	(37,417)	6,801	2,321,187	8,694,857	2,031	8,696,888
Total comprehensive income		-	-	-	264,368	41,955	8,826	-	236,486	551,635	612	552,247
Legal reserve	30(b)	-	-	-	-	-	-	90	-	90	-	90
Distribution to Perpetual Sukuk holder	32	-	-	-	-	-	-	-	(57,500)	(57,500)	-	(57,500)
Transactions with owners:												
Dividends	12	-	-	-	-	-	-	-	(182,512)	(182,512)	-	(182,512)
Effect arising from acquisition of non-controlling interest	17	-	-	-	-	-	-	-	2,612	2,612	(2,612)	-
Effect arising from liquidation of subsidiary	10	-	-	-	-	-	-	-	(25)	(25)	(31)	(56)
Total transactions with owners		-	-	-	-	-	-	-	(179,925)	(179,925)	(2,643)	(182,568)
Effect of implementation of the Companies Act, 2016		3,455,149	-	(3,455,149)	-	-	-	-	-	-	-	-
At 31 December 2017		5,114,341	997,842	-	272,636	325,790	(28,591)	6,891	2,320,248	9,009,157	-	9,009,157

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

		Attributable to owners of the parent					
		Non-distributable					
Company	Note	Share capital RM'000 (Note 27)	Perpetual Sukuk RM'000 (Note 32)	Share premium RM'000 (Note 27)	Fair value adjustment reserve RM'000 (Note 29)	Distributable retained earnings RM'000 (Note 28)	Total equity RM'000
At 1 January 2016		1,659,192	997,842	3,455,149	5,244	148,035	6,265,462
Total comprehensive income		-	-	-	2,925	184,195	187,120
Distribution to Perpetual Sukuk holder	32	-	-	-	-	(57,658)	(57,658)
Transaction with owners:							
Dividends	12	-	-	-	-	(141,032)	(141,032)
Total transaction with owners		-	-	-	-	(141,032)	(141,032)
At 31 December 2016		1,659,192	997,842	3,455,149	8,169	133,540	6,253,892
At 1 January 2017		1,659,192	997,842	3,455,149	8,169	133,540	6,253,892
Total comprehensive income		-	-	-	(4,456)	215,641	211,185
Distribution to Perpetual Sukuk holder	32	-	-	-	-	(57,500)	(57,500)
Transaction with owners:							
Dividends	12	-	-	-	-	(182,512)	(182,512)
Total transaction with owners		-	-	-	-	(182,512)	(182,512)
Effect of implementation of the Companies Act, 2016		3,455,149	-	(3,455,149)	-	-	-
At 31 December 2017		5,114,341	997,842	-	3,713	109,169	6,225,065

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

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities				
Profit before tax and zakat	334,485	183,331	219,560	181,367
Adjustments for:				
Interest income	(43,736)	(36,831)	(3,591)	(3,173)
Dividend income	-	-	(259,513)	(125,234)
Interest expense	709,642	686,332	151,023	158,038
Loss from derivative instrument	6,543	3,437	-	-
Provision for liabilities	12,461	7,909	1,325	-
Writeback of provision for liabilities	(9,999)	(5,692)	(30)	(150)
Amortisation of:				
- intangible assets	819,000	786,965	-	-
- plantation development expenditure	3,473	3,227	-	-
- land use rights	107	105	-	-
Depreciation of property, plant and equipment	58,256	62,243	16,105	15,875
(Reversal)/impairment of:				
- intangible assets	-	1,305	-	-
- property, plant and equipment	(1,391)	394	-	394
Net allowance/(writeback) for doubtful debts	48,005	13,020	(59)	(240)
Bad debt written off	413	2,120	-	2
Loss/(gain) on disposal of:				
- property, plant and equipment	3	-	-	-
- intangible assets	-	(35)	-	-
- quoted unit trust	-	(2,742)	-	(2,742)
Property, plant and equipment written off	4,020	1,263	-	92
Intangible assets written off	13,507	8,254	-	-
Plantation development expenditure written off	-	54	-	-
Balance carried forward	1,954,789	1,714,659	124,820	224,229

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities (contd.)				
Adjustments for: (contd.)				
Balance brought forward	1,954,789	1,714,659	124,820	224,229
Inventories written off	3,730	4,987	-	-
Investment income	(41,412)	(27,647)	(5,282)	(6,124)
Share of results of:				
- associates	(5,801)	(1,676)	-	-
- joint ventures	(14,824)	(14,055)	-	-
Operating profit before working capital changes	1,896,482	1,676,268	119,538	218,105
Increase in inventories	(9,780)	(22,550)	-	-
Decrease/(increase) in receivables	37,518	303,313	(128,090)	272,936
Increase/(decrease) in payables	180,905	(76,946)	63,462	(202,735)
Decrease in concession liabilities	(30,070)	(28,465)	-	-
Decrease in provisions for liabilities	(740)	(3,595)	(6)	(15)
Changes in related company balances	-	-	459,958	157,772
Cash generated from operations	2,074,315	1,848,025	514,862	446,063
Taxes and zakat paid	(137,049)	(77,174)	(597)	(500)
Net cash generated from operating activities	1,937,266	1,770,851	514,265	445,563
Cash flows from investing activities				
Purchase of:				
- property, plant and equipment	(28,216)	(62,135)	(14,041)	(23,215)
- intangible assets	(251,405)	(368,379)	-	-
- quoted unit trust	(12,125)	(2,844)	(12,056)	(2,780)
- quoted bonds	(3,000)	-	(3,000)	-
- plantation development expenditure	(4,804)	(6,273)	-	-
Proceeds from disposal of:				
- property, plant and equipment	34	-	-	-
- intangible assets	-	70	-	-
- quoted unit trust	91,122	111,200	91,122	111,200
Balance carried forward	(208,394)	(328,361)	62,025	85,205

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from investing activities (contd.)				
Balance brought forward	(208,394)	(328,361)	62,025	85,205
Additional investment in an associate	(3,000)	-	-	-
Additional investment in subsidiaries	-	-	(19,206)	-
Investment income received	41,412	27,647	5,282	6,124
Interest received	5,428	3,826	962	686
Dividend received from:				
- joint ventures	5,513	3,006	5,513	5,523
- subsidiaries	-	-	124,000	119,711
Net cash (used in)/generated from investing activities	(159,041)	(293,882)	178,576	217,249
Cash flows from financing activities				
Repayment of loan	(72,600)	(342,000)	-	(250,000)
Swap payment	(6,543)	(3,437)	-	-
Concession payment	(451,440)	(423,701)	-	-
Interest paid	(241,105)	(247,474)	(150,830)	(161,908)
Dividends paid to shareholders of the Company	(182,512)	(141,032)	(182,512)	(141,032)
Distribution paid to Perpetual Sukuk holder	(57,500)	(57,658)	(57,500)	(57,658)
Net cash used in financing activities	(1,011,700)	(1,215,302)	(390,842)	(610,598)
Net increase in cash and cash equivalents	766,525	261,667	301,999	52,214
Effects of foreign currency translation	122,428	23,473	-	-
Cash and cash equivalents at beginning of year	1,572,027	1,286,887	223,614	171,400
Cash and cash equivalents at end of year (Note 26)	2,460,980	1,572,027	525,613	223,614

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1. Corporate information and Operating Agreements

1.1 Corporate information

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

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 17. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 1 March 2018.

1.2 Operating Agreements

On 12 February 2009, the Group signed the following:

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

The Operating Agreements include the following salient terms:

(a) To restate the Group's respective rights and commitments with respect to the operation, management, maintenance and development of K.L. International Airport (KLIA) and the Designated Airports, and to terminate all prior rights and commitments arising from the concession agreement and lease agreement for KLIA entered into earlier between the GoM and MA (Sepang) save for rights and commitments expressly provided in the Operating Agreements for KLIA and the Designated Airports;

(b) The settlement of Residual Payment owing by MA (Sepang) to the GoM in a manner that could not significantly deplete the cash reserves of the Group, and that would take into consideration the Group's financial resources and business plans;

(c) MA (Sepang) and MASB (Malaysia Airports) have been granted a lease of the airport lands which co-terminus with the operating period of 25 years commencing from 12 February 2009 via Lease Agreements signed between Federal Land Commissioner and Malaysia Airports, respectively on 12 February 2009;

(d) In consideration of the GoM entering into the Operating Agreements for KLIA and Designated Airports, MA (Sepang) and MASB agree to pay the GoM a User Fee. User Fee is equal to a specified percentage of revenue that the Group derives from activities carried out at KLIA and other airports;

(e) Under the Operating Agreement, the GoM shall assist MAHB in bearing its socio-economic obligations by compensating MA (Sepang) and MASB with a marginal cost support sum (MARCS) as disclosed in Note 2.4(y)(iv) for marginal losses suffered, arising from the undertaking of socio-economic activities and GoM policies;

1. Corporate information and Operating Agreements (contd.)

1.2 Operating Agreements (contd.)

The Operating Agreements include the following salient terms: (contd.)

(f) The Operating Rights are granted by the GoM to further define and augment the rights of MA (Sepang) as a licensed airport operator and manager of KLIA, and MASB as a licensed airport operator and manager of the Designated Airports, and the Operating Rights shall run for a period of 25 years from 12 February 2009. In the previous year, the GoM via a letter from the Ministry of Transport, dated 28 December 2016, has granted the Group an extension of the Operating Agreements for a period of 35 years on top of the existing 25 years from 12 February 2009. The Group and the respective agencies of GoM are finalising the terms and conditions in relation to the extension of the operating period; and

(g) Under the Operating Agreements, these rights may be terminated by the GoM for certain prescribed reasons, including any default on the MAHB Group's obligations, any order being made, or a resolution being passed, for the winding-up, liquidation, or receivership of MAHB or its principal subsidiaries, MA (Sepang) or MASB, the execution of any judgement against a substantial portion of the assets of MAHB or MA (Sepang) or MASB, if MAHB, MA (Sepang) or MASB were to make an assignment or enter into an arrangement or composition with its creditors or the licenses held by MA (Sepang) or MASB to operate airports being revoked or suspended by the GoM. The Operating Agreements permit the GoM to expropriate the rights with three months' written notice if they determine, in their sole discretion, that it is in the national interest or in the interest of national security. Upon the GoM exercising its rights of termination, the GoM shall pay an amount to be determined by an independent valuer appointed by the GoM and the Group.

1.3 Implementation Agreement relating to Istanbul Sabiha Gokcen Uluslararasi Havalimani Yatirim Yapim ve Isletme A.S. (ISG)

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

The Implementation Agreement includes the following salient information:

(a) The right to operate the ISGIA is transferred to ISG in exchange for the amount offered at the tender and completion of the construction with regards to establishment of ISGIA's New International Terminal Building and its Complementaries (the Construction), which include the construction of all infrastructures and superstructures, their connections to the main-system within the framework of the implementation including detailed projects to be drafted in accordance with tender specifications.

1. **Corporate information and Operating Agreements (contd.)**

1.3 Implementation Agreement relating to Istanbul Sabiha Gokcen Uluslararasi Havalimani Yatirim Yapim ve Isletme A.S. (ISG) (contd.)

The Implementation Agreement includes the following salient information: (contd.)

(b) ISG is responsible for operating the domestic and international terminals currently available in the ISGIA in accordance with the principles and requirements of International Civil Aviation Organization (ICAO), European Civil Aviation Conference (ECAC), Airports Council International (ACI), European Organization for the Safety of Air Navigation (EUROCONTROL), Joint Aviation Authorities (JAA) and International Air Transport Association (IATA); principles and procedures set forth by the Airport Authority and other criteria set forth in the relevant legislation of the Directorate of Air Transportation of the Ministry of Transportation, Turkey. In respect of this operation, ISG charges all airlines with departing passenger service fee. In addition, the occupiers of the areas within the ISGIA, other than public entities and agencies are charged for general utilities (such as heating, cooling and ventilation).

(c) The passenger service fees for international and domestic lines are determined by the Ministry of Transportation, Turkey. In the event the passenger service fees increases above the amounts set in the Implementation Agreement, ISG shall pay 50% of the incremental increase to the Administration. In the event the passenger service fees decreases below the amounts set in the Implementation Agreement, 50% of the difference shall be deducted from the Utilisation Fee.

(d) In accordance with the Implementation Agreement, the tariff regarding the counter, bridge revenues (bridge, 400 Hz, water), commercially important person (CIP), general aviation terminal, meeting, conference hall revenues (except for space allocation, lease and advertisement revenues) together with ticket sales, office allocation, left luggage offices, parking area, luggage carrying (porter), telephone, diaphone, public announcement, aviation information and monitor utilisation, medical examination, treatment, electricity and water revenues shall be determined based on the tariff applied in Istanbul Atatürk Airport.

(e) ISG is responsible for:

- taking all measures to ensure that the operation continues without interruption during the operation period;
- providing insurance coverage for the Construction and the ISGIA; and
- regular and continuous repair of all systems and equipment it possesses, keeping them in working order, replacement of the assets subject to depreciation during the operation period, whose economic useful lives determined by the Turkish Tax Procedural Law have ended or which have become out of order.

(f) According to the Implementation Agreement, ISG is responsible for ensuring the security of the ISGIA (including the New International Terminal and its Complementaries), maintenance, periodic maintenance and repairs, and transfer of the ISGIA to the Administration at the end of the operation period free from any obligation and liability and free of charge in operational condition.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards as issued by the Malaysian Accounting Standards Board ('MASB'), and the requirements of the Companies Act, 2016 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2017 as described fully in Note 2.2.

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

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

On 15 September 2016, the Companies Act, 2016 was enacted and it replaces the Companies Act, 1965 in Malaysia with effect from 31 January 2017. Amongst the key changes introduced in the Companies Act, 2016 which have affected the financial statements of the Group and of the Company upon the commencement of the Companies Act, 2016 on 31 January 2017 are:

- the removal of authorised share capital;
- the ordinary shares of the Company will cease to have par value or nominal value; and
- the Company's share premium will become part of the share capital.

The adoption of Companies Act, 2016, resulted in the reclassification of the above has no financial impact on the Group and of the Company for the current financial year ended 31 December 2017. The effect of adoption is mainly on the disclosures to the financial statements of the Group and of the Company.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2017, the Group and the Company adopted the following new and amended FRSs which are mandatory for annual financial periods beginning on or after 1 January 2017.

Effective for financial periods beginning on or after 1 January 2017

Amendments to FRS 107: Disclosure Initiatives
Amendments to FRS 112: Recognition of Deferred Tax for Unrealised Losses

The application of the above amendments had no material impact on the financial position or disclosure in the Group's financial statements.

2. Significant accounting policies (contd.)

2.3 Malaysian Financial Reporting Standards (MFRS Framework)

The Group falls within the definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has established a project team to plan and manage the adoption of the MFRS Framework. This project consists of the following phases:

(a) Assessment and planning phase

This phase involves the following:

(i) High level identification of the key differences between Financial Reporting Standards and Accounting Standards under the MFRS Framework and disclosures that are expected to arise from the adoption of MFRS Framework;
(ii) Evaluation of any training requirements; and
(iii) Preparation of a conversion plan.

The Group considers the assessment and planning phase to be complete as at the date of these financial statements.

(b) Implementation and review phase

This phase aims to:

(i) develop training programs for the staff;
(ii) formulate new and/or revised accounting policies and procedures for compliance with the MFRS Framework;
(iii) identify potential financial effects as at the date of transition, arising from the adoption of the MFRS Framework; and
(iv) develop disclosures required by the MFRS Framework.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and Accounting Standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2017 could be different if prepared under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

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

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(a) Subsidiaries and basis of consolidation (contd.)

(ii) Basis of consolidation (contd.)

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

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

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

(iii) Transactions with non-controlling interests

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(b) Business combinations and goodwill

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

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

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

Goodwill is initially measured cost less accumulated impairment losses, if any. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of FRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of FRS 139, it is measured in accordance with the appropriate FRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

(c) Investment in associates and joint ventures

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

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

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

The Group's investments in its associate and joint venture are accounted for using the equity method.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(c) Investment in associates and joint ventures (contd.)

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

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

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

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

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

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(d) Intangible assets

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

(i) Concession rights

(a) Airport operation rights in Malaysia

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

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

(b) Airport operations right in Turkey

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

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

2. **Significant accounting policies (contd.)**

2.4 Summary of significant accounting policies (contd.)

(d) Intangible assets (contd.)

(i) Concession rights (contd.)

(b) Airport operations right in Turkey (contd.)

The airport operations right is amortised over the operation period, starting from the date the right is available for use. Accordingly, ISG started to amortise the first phase of the airport operations right, cost of which is measured as the fair value of Utilisation Fees payable, on 1 May 2008 (for extended period of 2 years on 15 October 2009), whereas the second phase, cost of which is measured as the fair value of the consideration receivable for the construction services delivered started to be amortised following the completion of the construction by November 2009. Prior to 2016, the airport operations rights are amortised using the revenue projections (mainly based on traffic projections) during the operation period, considering such method best reflects the pattern in which the asset's future benefits are expected to be consumed by ISG. Effective 1 January 2016, ISG has adopted the amendments to FRS 116 and FRS 138 which requires the airport operation rights to be amortised based on passengers volume to reflect the usage of airport activities over the operation period. Amortisation method and underlying assumptions are reviewed for validity at each period.

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

(ii) Infrastructure and construction assets

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

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(d) Intangible assets (contd.)

(iii) Goodwill

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

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

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

(e) Fair value measurement

The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 21.

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

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

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

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(e) Fair value measurement (contd.)

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

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

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

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

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

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

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

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

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

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

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(f) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

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

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

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

(i) it is probable that future economic benefits associated with the asset will flow to the enterprise;

(ii) the cost of the asset to the enterprise can be measured reliably; and

(iii) ready for its intended use.

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

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

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(f) Property, plant and equipment and depreciation (contd.)

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

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

(g) Impairment of non-financial assets

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

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

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

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

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(h) Inventories

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

(i) Plantation development expenditure

New planting expenditure incurred on land clearing and upkeep of trees to maturity are capitalised under plantations.

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

(j) Replanting expenditure

Replanting expenditure incurred during the year is recognised in the profit or loss.

Replanting expenditure represents the total cost incurred from land clearing to the point of harvesting.

(k) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(k) Financial assets (contd.)

(i) Financial assets at fair value through profit or loss (contd.)

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(k) Financial assets (contd.)

(iii) Available-for-sale financial assets (contd.)

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

The Group and the Company do not have any financial assets designated as financial assets held to maturity investments.

(l) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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 becomes uncollectible, it is written off against the allowance account.

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 was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2. **Significant accounting policies (contd.)**

2.4 **Summary of significant accounting policies (contd.)**

(l) **Impairment of financial assets (contd.)**

(ii) **Unquoted equity securities carried at cost**

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) **Available-for-sale financial assets**

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

(m) **Derivative financial instruments and hedging activities**

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(m) Derivative financial instruments and hedging activities (contd.)

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

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(n) Cash and cash equivalents

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

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

(o) Leases

(i) As lessee

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

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

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

(ii) As lessor

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

(p) Borrowing costs

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

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(q) Income tax and zakat

(i) Current tax

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

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

(ii) Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(q) Income tax and zakat (contd.)

(ii) Deferred tax (contd.)

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

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

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

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

(iii) Zakat

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

(iv) Goods and Services Tax (GST)

The net amount of GST being the difference between output and input of GST, payable to or receivable from the respective authorities at the reporting date, is included in trade and other payables or trade and other receivables in the statements of financial position.

(r) Provisions for liabilities

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(s) Financial liabilities

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

Financial liabilities, within the scope of FRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

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

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

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

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

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

(t) Concession liabilities

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

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

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

(iii) Privatisation of the Development of a Generation Plant at klia2.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(u) Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution plans

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

(iii) Defined benefit plans

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

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

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(v) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions and balances

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

(iii) Foreign operations

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

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

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(v) Foreign currencies (contd.)

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

	2017 RM	2016 RM
United States Dollar (USD)	4.05	4.49
Great Britain Pound (GBP)	5.47	5.51
Singapore Dollar (SGD)	3.03	3.10
Euro (EUR)	4.84	4.72
Switzerland Swiss Franc (CHF)	4.15	4.40
China Renminbi (RMB)	0.64	0.64
Hong Kong Dollar (HKD)	0.52	0.58
Qatar Riyal (QAR)	1.11	1.26
Australian Dollar (AUD)	3.16	3.24
Indian Rupee (INR)	0.06	0.07

(w) User Fee

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

(x) Utilisation Fee

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(y) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Dividend income

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

(ii) Sale of goods

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

(iii) Revenue from services

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

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

(iv) Marginal Cost Support Sum (MARCS)

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

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

As stipulated in the Operating Agreement, the Benchmark Passenger Service Charge (PSC) rate is revised every 5 years based on the agreed calculation. The 2nd Tariff Cycle revision became effective on 12 February 2014. MARCS PSC of RM76,325,000 (2016: RM106,216,000) was recognised during the year for the difference between actual PSC and Benchmark PSC rate.

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(y) Revenue recognition (contd.)

(v) Revenue from hotel operations

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

(vi) Interest income

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

(vii) Construction revenue

Construction revenue is recognised by reference to the stage of completion of the construction activity at the balance sheet date, as measured by the proportion that contracts costs incurred for work performed to date to the estimated total contracts costs. Where the outcome of the Construction cannot be estimated reliably, revenue is recognised to the extent of Construction costs incurred if it is probable that they will be recoverable. Construction costs are recognised as expenses in the year in which they are incurred.

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

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

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

(aa) Concession contracts

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(aa) Concession contracts (contd.)

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

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

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

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

(ab) IC Interpretation 12 Service Concession Arrangements

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

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

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

2. **Significant accounting policies (contd.)**

2.4 **Summary of significant accounting policies (contd.)**

(ab) **IC Interpretation 12 Service Concession Arrangements (contd.)**

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

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

(ac) **Equity instruments and related expenses**

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

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

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

2.5 **Significant accounting judgements and estimates**

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

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

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

The carrying amount of the concession rights and infrastructure and construction assets are amortised over the concession period determined by the method where the amortisation method used shall reflect the pattern which the concession's future economic benefits are expected to be consumed by the Group based on the expected number of passengers and the utilisation of the airports over the concession period. The variable factors in determining the estimated amortisation includes projected total number of passengers for subsequent years to the end of concession period. The assumptions to arrive at the passenger volume projections and usage of airports also take into consideration the growth rate based on current market and economic conditions. Changes in the expected passenger volume and usage of airports could impact future amortisation charges.

2. Significant accounting policies (contd.)

2.5 Significant accounting judgements and estimates (contd.)

(a) Critical judgements made in applying accounting policies (contd.)

(ii) Amount due from GoM

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

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

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

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

Details of amounts due from and to GoM are disclosed in Notes 22 and 34.

(iii) Revenue recognition

Significant judgement is applied to determine the accrued revenue for aeronautical and commercial debtors based on passenger movements, the number of airlines and timing of billings.

As at reporting date, the amount of accrued revenue for aeronautical and commercial debtors as disclosed in Note 22 comprised approximately 3% (2016: 4%) of the total revenue.

(iv) Land use rights

The Group has assessed that the previous amount paid was in relation to the rights to occupy the land leased by the Federal Land Commissioner, and accordingly pursuant to Amendments to FRS 117, prepaid land lease payments is classified as land use rights.

2. Significant accounting policies (contd.)

2.5 Significant accounting judgements and estimates (contd.)

(a) Critical judgements made in applying accounting policies (contd.)

(v) Impairment of available-for-sale investments

The Group and the Company review their investments in equity instruments, which are classified as available-for-sale investments at each reporting date to assess whether they are impaired. The Group and the Company record impairment charges when there has been a significant or prolonged decline in the fair value below their cost.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group and the Company evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. The Group and the Company impair quoted and unquoted equity instruments with 'significant' decline in fair value greater than 20%, and 'prolonged' period as greater than 12 months.

(b) Key sources of estimation uncertainty

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

(i) Income taxes

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

(ii) Deferred taxation

Deferred tax assets are recognised for all unutilised tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in Note 24.

2. Significant accounting policies (contd.)

2.5 Significant accounting judgements and estimates (contd.)

(b) Key sources of estimation uncertainty (contd.)

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

(iii) Airline incentives

The management determined that the Group's obligation to provide the airlines incentives should be recognised and measured by allocating some of the consideration received or receivable from the sales transactions to award credits and deferring the recognition of revenue.

In deferring the recognition of revenue, management estimated and made certain assumptions on the probability of each airline to have met the conditions imposed by the Group in order to qualify under the incentive programme such as the achievement of the growth rate of the inbound passengers and landing managed by the respective airlines, the probability of non-disputing of billings and settlement of outstanding debts; and the likelihood of the existence of the airlines within the next twelve months from the date of the airlines' incentive entitlement.

Further information on airline incentives are disclosed in Note 34(c).

(iv) Impairment of investments in associates

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

(v) Concession contract and percentage of completion

The Group provides construction services in exchange for the right to operate the airport in accordance with the Operating Agreements. As described in Note 2.4 (ab) IC Service Concession Arrangement, the Group recognises the revenues and costs in accordance to FRS 111 Construction Contracts by reference to the stage of completion of the construction activity. The date of completion is measured by reference to the construction costs incurred for work performed to date to the estimated total costs for the contract.

(vi) Mark-up rate for the construction

The airport operations right in exchange for the construction services provided is recognised at the fair value of the consideration receivable for the construction services delivered. The fair value of the consideration receivable for the construction services delivered is calculated by including certain mark-up, estimated to reflect a margin consistent with other similar construction work where possible, on the actual costs incurred. Mark-up rates used in calculating the fair value of the consideration receivable estimated by the Group on the prior years construction project are 4.5% and 7.5% for construction projects in Malaysia and 10% for prior years and no mark-up in current year for construction project in ISG as disclosed in Note 16.

2. **Significant accounting policies (contd.)**

2.5 **Significant accounting judgements and estimates (contd.)**

(b) **Key sources of estimation uncertainty (contd.)**

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

(vii) **Concession liabilities**

As disclosed in Notes 2.4(t) and (ab), the Group recognised an asset and a liability at an amount equal to the fair value of the underlying asset as determined in the agreement and subsequently the liability shall be reduced when payments are made. The imputed finance charges estimated are as follows:

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

6.0% per annum over the period of 60 years ending 2069. Had the estimation of the finance charge increase or decrease by 10% of the discount rate used, the net interest charged would be higher by approximately RM66,000 or lower by RM93,000 respectively.

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

5.5% per annum over the period of 20 years ending 2018. Had the estimation of the finance charge increase or decrease by 10% of the discount rate used, the net interest charged would be higher by approximately RM212,000 or lower by RM199,000 respectively.

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

5.5% per annum over the period of 20 years ending 2033. Had the estimation of the finance charge increase or decrease by 10% of the discount rate used, the net interest charged would be higher by approximately RM2,009,000 or lower by RM1,984,000 respectively.

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

3. Revenue

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Airport operations:				
- Airport services:				
- Aeronautical	2,342,651	2,133,877	-	-
Less: Airline incentives	(89,026)	(71,292)	-	-
	2,253,625	2,062,585	-	-
- Non-aeronautical	1,189,516	1,110,220	-	-
- Construction revenue*	57,905	-	-	-
- Duty free and non-dutiable goods	853,679	740,019	-	-
Non-airport operations:				
- Agriculture and horticulture	39,213	34,341	-	-
- Hotel operations	103,151	92,839	-	-
- Project and repair maintenance	155,249	132,764	-	-
Dividend income from subsidiaries	-	-	254,000	119,711
	4,652,338	4,172,768	254,000	119,711

Included in aeronautical revenue is MARCS sum income of RM168,030,000 (2016: RM203,435,000) as disclosed in Note 2.4(y)(iv).

Included in revenue is revenue from overseas operations contributed by ISG and LGM totalling to RM1,085,677,000 (2016: RM958,803,000) and revenue contributed by MACS ME totalling to RM137,555,000 (2016: RM114,666,000).

* Construction revenue relates to revenue recognised pursuant to IC 12 and in accordance with FRS 111 in respect of the development of ISGIA's New Terminal Building and its Complimentaries.

4. Other income

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income:				
- Unquoted investments and employee loans	5,428	3,826	962	686
- Other loans and receivables	38,122	32,701	2,629	2,487
- Gain on financial instruments at fair value through profit or loss	186	304	-	-
Investment income:				
Available-for-sale investments on equity instruments:				
- quoted in Malaysia	21,293	15,219	4,045	5,325
- unquoted in Malaysia	-	6,256	-	-
- unquoted outside Malaysia	10,826	-	-	-
Unquoted short-term investments	9,293	6,172	1,237	799
Rental income:				
- Minimum lease payments	9,940	13,761	-	-
Gain on disposal of:				
- intangible assets	-	35	-	-
- quoted unit trust	-	2,742	-	2,742
Net realised foreign exchange gain/(loss)	3,372	1,838	80	(202)
Management fee charged to subsidiaries	-	-	141,513	188,146
Recoupment of expenses	90,519	92,653	208,475	215,218
Miscellaneous	41,956	45,234	19,909	19,627
	230,935	220,741	378,850	434,828

5. Employee benefits expense

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Wages and salaries	488,780	476,404	90,791	85,746
Bonus	113,453	64,652	30,436	12,380
Contributions to defined contribution plans	94,849	81,035	20,485	16,518
Social security contributions	6,413	5,964	894	796
Net additional/(writeback of) provision for short-term accumulating compensated absences	2,560	(619)	1,295	(150)
Other employee benefits	146,089	142,827	23,223	23,450
	852,144	770,263	167,124	138,740

Included in employee benefits expense of the Group and of the Company are executive director's remuneration amounting to RM1,777,000 (2016: RM1,627,000) and RM1,777,000 (2016: RM1,627,000) respectively as further disclosed in Note 8.

6. Finance costs

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Interest expense:				
- concession payables and borrowings	241,105	247,474	150,975	157,818
- financial liabilities	475,080	442,295	48	220
	716,185	689,769	151,023	158,038

7. Profit before tax and zakat

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-executive directors' remuneration excluding benefits-in-kind (Note 8)	2,747	2,350	2,285	1,970
Auditors' remuneration:				
- statutory				
- auditors of the Company (Malaysia operations)	608	605	108	111
- auditors of the Company (Overseas operations)	435	496	-	-
- other auditors (other than Ernst & Young)	22	31	22	31
- other services				
- auditors of the Company	671	604	631	599
User Fee expenses	391,780	362,431	-	-
Rental expenses	131,413	114,782	5,419	5,815
Depreciation of property, plant and equipment (Note 13)	58,256	62,243	16,105	15,875
Amortisation of:				
- plantation development expenditure (Note 14)	3,473	3,227	-	-
- land use rights (Note 15)	107	105	-	-
- intangible assets (Note 16)	819,000	786,965	-	-
Property, plant and equipment written off	4,020	1,263	-	92
Intangible assets written off	13,507	8,254	-	-
Plantation development expenditure written off	-	54	-	-
Loss/(gain) on disposal of:				
- intangible assets	-	(35)	-	-
- property, plant and equipment	3	-	-	-
- quoted unit trusts	-	(2,742)	-	(2,742)
(Reversal)/impairment of:				
- intangible assets (Note 16)	-	1,305	-	-
- property, plant and equipment (Note 13)	(1,391)	394	-	394
Net allowance/(writeback) of doubtful debts	48,005	13,020	(59)	(240)
Inventories written off	3,730	4,987	-	-
Bad debts written off	413	2,120	-	2
Utility charges	334,317	343,152	1,327	1,543
Repair and maintenance costs	352,460	343,177	11,254	11,617
Legal and other professional fees	34,625	24,004	21,953	13,137

User Fee expenses amounting to RM391,780,000 (2016: RM362,431,000) relate to payments made to the GoM for operating rights. User Fee rates range from 11.27% to 11.55% (2016: 10.89% to 11.18%) and are calculated on gross revenues of the Group from activities carried out at KLIA and other airports excluding reimbursements, interest income, recovery of bad debts or inter-company transactions.

8. Directors' remuneration

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive director's remuneration (Note 5):				
- Other emoluments	1,777	1,627	1,777	1,627
Non-executive directors' remuneration (Note 7):				
- Fees	1,381	1,038	1,112	1,038
- Other emoluments	1,366	1,312	1,173	932
	2,747	2,350	2,285	1,970
Total directors' remuneration	4,524	3,977	4,062	3,597
Estimated money value of benefits-in-kind	181	194	181	194
Total directors' remuneration including benefits-in-kind	4,705	4,171	4,243	3,791

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive:				
- Salaries and other emoluments	1,125	1,055	1,125	1,055
- Bonus	394	336	394	336
- Defined contribution plans	258	236	258	236
- Estimated money value of benefits-in-kind	44	98	44	98
	1,821	1,725	1,821	1,725
Non-executive:				
- Fees	1,381	1,038	1,112	1,038
- Other emoluments	1,366	1,312	1,173	932
- Estimated money value of benefits-in-kind	137	96	137	96
	4,705	4,171	4,243	3,791

8. Directors' remuneration (contd.)

Included in the Group non-executive directors' fees and other emoluments were the subsidiaries directors' fees and other emoluments of RM269,000 (2016: Nil) and RM193,000 (2016: RM380,000) respectively.

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

	Number of directors	
	2017	**2016**
Executive director:		
RM1,700,001 – RM1,750,000	-	1
RM1,750,001 – RM1,850,000	1	-
Non-executive directors:		
Less than RM50,000	4	4
RM50,001 – RM100,000	1	2
RM100,001 – RM150,000	2	-
RM150,001 – RM200,000	3	3
RM200,001 – RM250,000	3	2
RM250,001 – RM300,000	2	2
RM300,001 – RM350,000	1	-
RM350,001 – RM400,000	-	-
RM400,001 – RM450,000	-	1

9. Taxation and zakat

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current income tax:				
- Malaysian income tax	147,770	107,632	407	151
- Foreign tax	4,301	5,558	-	-
- Under/(over) provision of income tax in prior years	544	(28,310)	1,303	(208)
	152,615	84,880	1,710	(57)
Deferred tax (Note 24):				
Relating to origination and reversal of temporary differences	(32,266)	9,193	1,650	(350)
(Over)/under provision of deferred tax in prior years	(27,412)	11,344	559	(2,745)
	(59,678)	20,537	2,209	(3,095)
	92,937	105,417	3,919	(3,152)
Income tax expense/(credit)	92,937	105,417	3,919	(3,152)
Zakat	4,450	4,740	-	324
Total income tax expense/(credit) and zakat	97,387	110,157	3,919	(2,828)

9. Taxation and zakat (contd.)

Reconciliation between tax expense/(credit) and accounting profit

The reconciliations between tax expense/(credit) and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows:

	2017 RM'000	2016 RM'000
Group		
Profit before tax and zakat	334,485	183,331
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	80,276	43,999
Different tax rates in other countries	2,605	4,324
Tax effects of share of results of associates and joint ventures	-	(3,775)
Income not subject to tax	36,730	(47,258)
Expenses not deductible for tax purposes	6,819	71,169
Deferred tax asset recognised on investment tax allowances	(16,800)	-
Utilisation of other deductible temporary differences	-	(45,674)
Utilisation of previously unrecognised tax losses	9,761	-
Deferred tax assets not recognised in respect of current year's tax losses, unabsorbed capital allowances and other deductible temporary differences	414	99,598
Under/(over) provision of income tax in prior years	544	(28,310)
(Over)/under provision of deferred tax in prior years	(27,412)	11,344
Income tax expense for the year	92,937	105,417
Company		
Profit before tax and zakat	219,560	181,367
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	52,694	43,528
Income not subject to tax	(66,886)	(49,171)
Expenses not deductible for tax purposes	6,489	5,444
Deferred tax assets not recognised in respect of current year's unabsorbed capital allowances	9,760	-
Under/(over) provision of income tax in prior years	1,303	(208)
Under/(over) provision of deferred tax in prior years	559	(2,745)
Income tax expense/(credit) for the year	3,919	(3,152)

9. Taxation and zakat (contd.)

Current income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

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

10. Discontinued operation and disposal group classified as held for disposal

On 3 September 2013, K.L. Airport Hotel Sdn. Bhd. (KLAH) issued a notice of termination of the Hotel Management Agreement (HMA) to Sama-Sama Hospitality Management Sdn. Bhd. (SSHM) due to the non-participation and withdrawal of a key individual in the management and operations of the Joint Venture Company. On 18 September 2013, pursuant to the terms of the Joint Venture Agreement (JVA), KLAH issued a written notice of termination to ATOZ Hospitality Services Sdn. Bhd. (ATOZ), to terminate the JVA.

The Board of Directors of MAHB, had on 25 November 2014 approved for the striking off or winding up of SSHM via court order, after attempts to have SSHM wound up via voluntary winding up failed. Subsequently, on 6 November 2015, ATOZ has applied for an Intervener Application.

The matter was called up for hearing on 5 May 2016 and ATOZ withdrew the Intervener Application. Accordingly, the court ordered SSHM to be wound up. On 27 October 2016, the Group has appointed a private liquidator. On 6 November 2017, final creditors meeting was held as part of the process to conclude the liquidation process.

As at 30 September 2017, the assets and liabilities of SSHM have been presented on the consolidated statements of financial position as assets and liabilities held for disposal.

The Liquidator has appointed solicitor to apply for/obtain the vesting order from the court. Liquidation will only be completed upon issuance of the vesting order from the court.

The Liquidator has released the final report to solicitor for vesting order application on 10 January 2018. The process may take few months to obtain court order to release Liquidator from the office and close the case.

There were no movements in the statements of profit or loss of the discontinued operation in the financial year.

The classes of asset and liability classified as held for disposal on the consolidated statement of financial position are as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Asset		
Cash and cash equivalents, representing asset of disposal group classified as held for disposal	-	151
Liability		
Trade and other payables, representing liability of disposal group classified as held for disposal	-	19

11. Earnings per share

(a) Basic

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

	Group	
	2017 RM'000	2016 RM'000
Profit attributable to ordinary equity holders of the Company	237,098	73,174
Distribution to Perpetual Sukuk holders	(57,500)	(57,658)
Net profit attributable to owners of the parent	179,598	15,516

	Group	
	2017	2016
Weighted average number of ordinary shares in issue ('000)	1,659,192	1,659,192

	Group	
	2017 sen	2016 sen
Basic earnings per share for:		
- Basic, for profit for the year	10.82	0.94

(b) Diluted

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

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

12. Dividends

	Dividends in respect of year		Dividends recognised in year	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Recognised during the year:				
Interim dividend for 2017:				
on 1,659,191,829 ordinary shares				
- single-tier 5 sen, per ordinary share	82,960	-	82,960	-
Final dividend for 2016:				
on 1,659,191,829 ordinary shares				
- single-tier 6 sen, per ordinary share	-	99,552	99,552	-
Interim dividend for 2016:				
on 1,659,191,829 ordinary shares				
- single-tier 4 sen, per ordinary share	-	66,368	-	66,368
Final dividend for 2015:				
on 1,659,191,829 ordinary shares				
- single-tier 4.5 sen, per ordinary share	-	-	-	74,664
Proposed for approval at forthcoming Annual General Meeting (not recognised as liability as at 31 December 2017):				
Final dividend for 2017:				
on 1,659,191,829 ordinary shares				
- single-tier 8 sen, per ordinary share	132,735	-	-	-
	215,695	165,920	182,512	141,032

Dividend paid during financial year

A single-tier final dividend of 6 sen per ordinary share in respect of the financial year ended 31 December 2016 was approved by the Shareholders at its Annual General Meeting held on 25 May 2017. The final dividend amounting to RM99,552,000 was paid on 16 June 2017.

A single-tier interim dividend of 5 sen per ordinary share in respect of the financial year ended 31 December 2017 was declared on 31 July 2017. The interim dividend amounting to RM82,960,000 was paid in full on 25 August 2017.

Proposed Final Dividend

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2017, of 8 sen on 1,659,191,829 ordinary shares on single-tier basis, with a total quantum of RM132,735,000, will be proposed for shareholders' approval.

The financial statements for the current financial year do not reflect these dividends. Such dividends will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

13. Property, plant and equipment

	Property and buildings RM'000	Hotel property RM'000	Safety equipment and motor vehicles RM'000	Office, communication and electronic equipment, furniture and fittings RM'000	Plant and machinery, crockery, glassware, cutlery and linen RM'000	Capital work-in-progress RM'000	Total RM'000
Group							
At 31 December 2017							
Cost							
At 1 January 2017	196,496	120,724	28,298	437,465	27,202	44,908	855,093
Additions	190	-	547	12,197	12	15,270	28,216
Disposals	-	-	-	(26)	-	-	(26)
Written off	(1,991)	-	(328)	(6,699)	(748)	-	(9,766)
Transfers	361	-	1,705	12,098	2,587	(16,751)	-
Reclassified from plantation development expenditure	-	-	-	785	-	-	785
Foreign currency translation	5	-	(90)	(26)	-	-	(111)
At 31 December 2017	195,061	120,724	30,132	455,794	29,053	43,427	874,191
Accumulated depreciation and impairment							
At 1 January 2017	50,564	60,689	16,309	322,782	20,194	2,890	473,428
Charge for the year (Note 7)	4,521	4,209	1,819	44,946	2,761	-	58,256
Disposals	-	-	-	11	-	-	11
Written off	(506)	-	(90)	(4,672)	(478)	-	(5,746)
Reversal of impairment (Note 7)	(568)	-	(238)	(585)	-	-	(1,391)
Foreign currency translation	3	-	(83)	(134)	-	-	(214)
At 31 December 2017	54,014	64,898	17,717	362,348	22,477	2,890	524,344
Analysed as:							
Accumulated depreciation	52,823	64,898	8,207	340,442	22,477	-	488,847
Accumulated impairment loss	1,191	-	9,510	21,906	-	2,890	35,497
	54,014	64,898	17,717	362,348	22,477	2,890	524,344
Net carrying amount	141,047	55,826	12,415	93,446	6,576	40,537	349,847

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31 December 2017

13. Property, plant and equipment (contd.)

	Property and buildings RM'000	Hotel property RM'000	Safety equipment and motor vehicles RM'000	Office, communication and electronic equipment, furniture and fittings RM'000	Plant and machinery, crockery, glassware, cutlery and linen RM'000	Capital work-in-progress RM'000	Total RM'000
Group							
At 31 December 2016							
Cost							
At 1 January 2016	167,560	120,724	6,917	385,778	28,921	19,519	729,419
Additions	-	-	8	23,032	124	38,971	62,135
Written off	-	-	(307)	(9,233)	(3,279)	-	(12,819)
Transfers	2,596	-	5,812	3,708	1,460	(13,576)	-
Reclassified from/(to) intangible assets	26,339	-	15,809	33,779	(24)	(6)	75,897
Foreign currency translation	1	-	59	401	-	-	461
At 31 December 2016	196,496	120,724	28,298	437,465	27,202	44,908	855,093
Accumulated depreciation and impairment							
At 1 January 2016	32,808	56,607	1,670	251,107	20,661	2,496	365,349
Charge for the year (Note 7)	8,858	4,082	736	45,865	2,702	-	62,243
Written off	-	-	(307)	(8,102)	(3,147)	-	(11,556)
Reclassified from/(to) intangible assets	8,897	-	14,146	33,197	(22)	-	56,218
Impairment (Note 7)	-	-	-	-	-	394	394
Foreign currency translation	1	-	64	715	-	-	780
At 31 December 2016	50,564	60,689	16,309	322,782	20,194	2,890	473,428
Analysed as:							
Accumulated depreciation	48,805	60,689	6,561	300,291	20,194	-	436,540
Accumulated impairment loss	1,759	-	9,748	22,491	-	2,890	36,888
	50,564	60,689	16,309	322,782	20,194	2,890	473,428
Net carrying amount	145,932	60,035	11,989	114,683	7,008	42,018	381,665

13. Property, plant and equipment (contd.)

	Building RM'000	Motor vehicles RM'000	Office equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Company					
At 31 December 2017					
Cost					
At 1 January 2017	32,826	2,200	116,766	16,592	168,384
Additions	-	547	1,906	11,588	14,041
Transfers	-	-	(83)	-	(83)
At 31 December 2017	32,826	2,747	118,589	28,180	182,342
Accumulated depreciation and impairment					
At 1 January 2017	10,093	1,529	82,837	394	94,853
Charge for the year (Note 7)	946	151	15,008	-	16,105
Transfers	-	-	(83)	-	(83)
At 31 December 2017	11,039	1,680	97,762	394	110,875
Net carrying amount	21,787	1,067	20,827	27,786	71,467
At 31 December 2016					
Cost					
At 1 January 2016	32,568	2,200	98,794	12,827	146,389
Additions	-	-	577	22,638	23,215
Transfers	258	-	18,615	(18,873)	-
Written off	-	-	(1,220)	-	(1,220)
At 31 December 2016	32,826	2,200	116,766	16,592	168,384
Accumulated depreciation and impairment					
At 1 January 2016	8,718	1,529	69,465	-	79,712
Charge for the year (Note 7)	1,375	-	14,500	-	15,875
Written off	-	-	(1,128)	-	(1,128)
Impairment (Note 7)	-	-	-	394	394
At 31 December 2016	10,093	1,529	82,837	394	94,853
Net carrying amount	22,733	671	33,929	16,198	73,531

13. Property, plant and equipment (contd.)

Included in the cost of property, plant and equipment of the Group and of the Company are cost of fully depreciated assets which are still in use amounting to RM223,999,000 (2016: RM199,570,000) and RM61,347,000 (2016: RM53,278,000) respectively.

14. Plantation development expenditure

	Group	
	2017 RM'000	2016 RM'000
Cost		
At 1 January	102,573	96,401
Additions	4,804	6,273
Written off	-	(101)
Reclassified to property, plant and equipment	(785)	-
At 31 December	106,592	102,573
Accumulated amortisation		
At 1 January	35,883	32,703
Charge for the year (Note 7)	3,473	3,227
Written off	-	(47)
At 31 December	39,356	35,883
Net carrying amount	67,236	66,690

15. Land use rights

	Group	
	2017 RM'000	2016 RM'000
Net carrying amount		
At 1 January	7,141	7,246
Amortisation during the year (Note 7)	(107)	(105)
At 31 December	7,034	7,141
Analysed as:		
Short-term land use rights	1,469	1,504
Long-term land use rights	5,565	5,637
	7,034	7,141

16. Intangible assets

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

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16. Intangible assets (contd.)

	Concession rights RM'000	Terminal building, plant and infrastructures RM'000	Capital work-in-progress RM'000	Total RM'000
Group (contd.)				
At 31 December 2016				
Cost				
At 1 January 2016	10,558,654	10,683,785	321,264	21,563,703
Additions	6,863	29,425	138,524	174,812
Disposals	-	(37)	-	(37)
Written off	-	(31,681)	-	(31,681)
Transfers	-	49,890	(49,890)	-
Reclassified to property, plant and equipment	-	(75,897)	-	(75,897)
Foreign currency translation	54,860	14,059	-	68,919
At 31 December 2016	10,620,377	10,669,544	409,898	21,699,819
Accumulated amortisation and impairment				
At 1 January 2016	1,298,083	2,423,207	-	3,721,290
Charge for the year (Note 7)	382,170	404,795	-	786,965
Disposals	-	(2)	-	(2)
Written off	-	(23,427)	-	(23,427)
Impairment (Note 7)	-	1,305	-	1,305
Reclassified to property, plant and equipment	-	(56,218)	-	(56,218)
Foreign currency translation	31,253	7,681	-	38,934
At 31 December 2016	1,711,506	2,757,341	-	4,468,847
Analysed as:				
Accumulated amortisation	1,711,506	2,724,095	-	4,435,601
Accumulated impairment loss	-	33,246	-	33,246
	1,711,506	2,757,341	-	4,468,847
Net carrying amount	8,908,871	7,912,203	409,898	17,230,972

16. Intangible assets (contd.)

Included in the cost of intangible assets of the Group is cost of fully depreciated intangible assets which are still in use amounting to RM546,599,000 (2016: RM420,357,000).

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

17. Investments in subsidiaries

	Company	
	2017 RM'000	2016 RM'000
Unquoted shares at cost	1,943,696	1,943,696
Additional investment in subsidiaries	19,206	-
	1,962,902	1,943,696

Name of company	Issued and paid-up capital RM	Proportion of ownership interest held 2017 %	2016 %	Principal activities
Malaysia Airports Sdn. Bhd. (230646-U)	360,113,847	100	100	Management, operations, maintenance and provision of airport related services of designated airports in Malaysia other than KLIA and klia2.
Malaysia Airports (Sepang) Sdn. Bhd. (320480-D)	50,000,002	100	100	Management, operations, maintenance and provision of airport related services in KLIA and klia2.
Malaysia Airports (Niaga) Sdn. Bhd. (281310-V)	5,000,002	100	100	Operating duty free, non-duty free outlets and providing management services in respect of food and beverage outlets at airports.
Malaysia Airports Consultancy Services Sdn. Bhd. (MACS) (375245-X)	500,002	100	100	Provision of maintenance and technical services in connection with the airport industry.
Malaysia Airports (Properties) Sdn. Bhd. (MAP) (484656-H)	2	100	100	Provision of non-passenger related services which involves property management and establishing fixed asset requirements.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

17. Investments in subsidiaries (contd.)

Name of company	Issued and paid-up capital RM	Proportion of ownership interest held 2017 %	2016 %	Principal activities
MAB Agriculture-Horticulture Sdn. Bhd. (467902-D)	10,000,000	100	100	Cultivation and selling of oil palm and other agricultural products, and engaging in horticulture activities.
K.L. Airport Hotel Sdn. Bhd. (330863-D)				Owner of the hotel known as Sama-Sama Hotel, Sama-Sama Express K.L. International Airport and Sama-Sama Express klia2.
- ordinary shares	10,000,000	100	100	
- preference shares	900,000	100	100	
Malaysia Airports Technologies Sdn. Bhd. (512262-H)	1,150,002	100	100	Operations and maintenance services of Information and Communication Technology business ventures.
Malaysia Airports (Mauritius) Pte. Ltd. @	USD1,000	100	100	Investment holding.
MAHB (Mauritius) Pte. Ltd. @	USD2	100	100	Investment holding.
Eraman (Malaysia) Sdn. Bhd. (324329-K)	2	100	100	Dormant. Intended principal activity is general trading.
Malaysia International Aerospace Centre Sdn. Bhd. (438244-H)	2	100	100	Planning, management and marketing for the development of Malaysia International Aerospace Centre at Sultan Abdul Aziz Shah Airport and other airports in Malaysia.
Airport Ventures Sdn. Bhd. (512527-U)	2	100	100	Investment holding.
Malaysia Airports MSC Sdn. Bhd. (MAMSC) (516854-V)	500,000	100	100	Investment holding.
Malaysia Airports (Labuan) Pte. Ltd. (LL05298)	USD1,000	100	100	Investment holding.
Urusan Teknologi Wawasan Sdn. Bhd. (459878-D)	750,000	100	100	Provision of mechanical, electrical and civil engineering services.

17. Investments in subsidiaries (contd.)

Name of company	Issued and paid-up capital RM	Proportion of ownership interest held 2017 %	2016 %	Principal activities
Malaysia Airports Capital Berhad (906593-U)	2	100	100	Investment holding.
Malaysia Airports Capital (Labuan) Ltd. (LL07679)	USD2	100	100	Investment holding.
MA Construction (Labuan) Private Limited (LL08348)	USD1,000	100	100	Investment holding.
Malaysia Airports Consultancy Services Middle East LLC @ ^ (62645)	Qatar Riyal 200,000	49	49	Facilities maintenance services at airports.
Sama-Sama Hospitality Management Sdn. Bhd. (SSHM) (1029991-A)	100	51	51	Ceased operation.
Malaysia Airports Cities Sdn. Bhd. (MA Cities) (1114062-X)	3,000	100	100	Investment holding.
Istanbul Sabiha Gokcen Uluslararasi Havalimani Yatirim Yapim ve Isletme A.S. * @ ** (ISG)	€178,741,000	100	100	Operation, management and development and provision of airport related services.
LGM Havalimani Isletmeleri Ticaret ve Turizm A.S. * @ (LGM)	€209,037	100	100	Provision of management services in respect of transportation, parking, food and beverages, cleaning at the airport and construction of hotel and car park within the airport.
Istanbul Sabiha Gokcen Uluslararasi Havalimani Yer Hizmetleri A.S.^^ (ISGGH)	€2,420,582	-	60.8	Provision of ground handling services. Ceased operations.
KLIA Aeropolis Sdn. Bhd. (KASB) (1212392-H)	101	100	100	Investment holding.

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17. Investments in subsidiaries (contd.)

Name of company	Issued and paid-up capital RM	Proportion of ownership interest held 2017 %	2016 %	Principal activities
Malaysia Airports International Sdn. Bhd. + (1220825-V)	2	100	-	Investment holding.
MA Elogistics Sdn. Bhd. # (MA Elogistics) (1253685-H)	100	100	-	Investment holding.

@ Audited by a member firm of Ernst & Young Global

* Effective interest held in each subsidiary through:

	2017	2016
Company	20%	20%
MAMSC	40%	40%
MA Cities	40%	40%
	100%	100%

** Investment in ISG with carrying amount of RM692,085,000 (2016: RM674,983,000) is pledged to financial institutions for credit facilities granted to the subsidiaries as disclosed in Note 31.

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

^^ On 13 June 2017, the Group acquired the minority interest of 39.2% of ISGGH for total consideration of TL3, therefore owning 100%. On 31 August 2017, ISGGH and LGM merged under LGM.

+ Malaysia Airports International Sdn. Bhd. was incorporated on 6 March 2017 and is a wholly owned subsidiary of MAHB.

MA Elogistics was incorporated on 31 October 2017 and is a wholly owned subsidiary of MAHB.

18. Investments in associates

	Group 2017 RM'000	Group 2016 RM'000
Unquoted shares at cost:		
- outside Malaysia	34,268	34,268
- in Malaysia	26,640	23,640
	60,908	57,908
Share of post-acquisition reserve	65,723	59,922
Impairment of investment	(81,669)	(81,669)
	44,962	36,161
Analysed as:		
Unquoted shares at cost:		
At 1 January	57,908	57,908
Additional investment	3,000	-
At 31 December	60,908	57,908
Share of post-acquisition reserve:		
At 1 January	59,922	58,246
Share of results	5,801	1,676
At 31 December	65,723	59,922

GMR Male International Airport Limited

On 27 November 2012, the Maldivian Government together with Maldives Airports Company Limited (MACL) declared that the concession agreement with GMR Male International Airport Limited (GMR Male) which was awarded in 2010, as void ab initio. GMR Male was to operate, maintain, expand, rehabilitate and modernise the Ibrahim Nasir International Airport (INIA) for a period of 25 years which the Group has 23% interest.

The dispute was brought to an arbitration tribunal as per the dispute resolution mechanics stipulated under the concession agreement. The directors had made full impairment on this investment in the previous financial years.

18. Investments in associates (contd.)

GMR Male International Airport Limited (contd.)

By the first arbitration award dated 18 June 2014 (First Part Final Award), the arbitration tribunal declared that the concession agreement was valid and binding and the concession agreement was not void ab initio. Further, the arbitration tribunal declared that the Maldivian Government and MACL are jointly and severally liable in damages to GMR Male for loss caused by wrongful repudiation of the agreement. As the concession agreement has now been found to be valid and persisting, MACL and the Maldivian Government have been found to have acted in repudiatory breach of the concession agreement by forcibly taking possession of the INIA. The tribunal had also ordered that the compensation shall be in accordance with the terms of the concession agreement which includes the sums payable by GMR Male to a financial institution under the Facility Agreement as at the date of termination of the Concession Agreement.

On 25 October 2016, the arbitration panel had granted an order for MACL to pay USD208,100,000 equivalent to RM865,696,000 as liquidated damages to GMR Male. However, MACL had paid a full amount of USD271,000,000 equivalent to RM1,127,360,000 (including the interest). These funds are expected to be utilised for the settlement of GMR Male's bank borrowings, creditors and other accrual expenses.

The Group has not recognised further losses relating to GMR Male where its share of losses exceeded the Group's interest and that Group has no further legal and constructive obligations in its investment in GMR Male. The Group's current year end cumulative share of unrecognised losses in the financial year was RM19,709,000. The Group has no further obligation in respect of these losses and until such time where the associate is in a profitable position, the Group shall recognise the share of profits only after its share of the profits equals the share of losses not recognised.

In 2015, the investment in GMR Male with carrying value of RM15,134,000 was pledged to a financial institution for credit facilities granted to the associate. However, on 10 January 2017, the share pledged was released by the financial institution.

MFMA Development Sdn. Bhd.

On 21 August 2013, MAHB has entered into a Joint Venture Agreement with MA (Sepang), Mitsui Fudosan Co. Ltd. (MF) and Retail Investment One Pte. Ltd. (RI One), to participate in a joint venture company under the name of MFMA Development Sdn. Bhd. (MFMA) for the development operation and maintenance of a Factory Outlet Centre and its complementary components known as Mitsui Outlet Park KLIA. MFMA was incorporated on 26 February 2013. The issued share capital of MFMA amounting to RM2,800,000 representing 30% of its total issued and paid-up share capital was held by MA (Sepang) and the rest by RI One. During the year, MFMA had further increased its share capital to RM86,800,000 of which it was subscribed proportionately by all shareholders based on their current equity interest.

18. Investments in associates (contd.)

Details of the associates are as follows:

Name of associate	Country of incorporation	Issued and paid-up capital RM	Proportion of ownership interest held 2017 %	2016 %	Financial year end	Principal activities
Held through a subsidiary:						
GMR Male International Airport Private Limited ^	Republic of Maldives	USD30,050,094	23	23	31 December	Operation, management and development and provision of airport related services. However, the entity has ceased operations.
Kuala Lumpur Aviation Fuelling System Sdn. Bhd. (KAF) ^^	Malaysia	3,000,000	20	20	31 December	Development, management and operation of aviation fuelling system at KLIA.
MFMA Development Sdn. Bhd.* ^^	Malaysia	86,800,000	30	30	31 December	Development, operation and maintenance of a Factory Outlet Centre and its complementary components known as Mitsui Outlet Park KLIA.

* During the year, the Group had further increased its investment in MFMA amounting to RM3,000,000.
^ Audited by KPMG Maldives
^^ Audited by KPMG KL

18. Investments in associates (contd.)

Details of the associates are as follows: (contd.)

(a) The summarised financial statement of KAF is as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Assets and liabilities		
Current assets	24,903	19,175
Non-current assets	192,157	199,190
Current liabilities	(29,954)	(34,832)
Non-current liabilities	(75,267)	(88,030)
Equity	111,839	95,503
Cost of investment	600	600
Results		
Revenue	64,874	59,254
Cost of sales	(23,717)	(24,473)
Other income	1,401	1,898
Administrative expenses	(17,339)	(26,699)
Finance costs	(3,405)	(3,584)
Profit before tax for the year	21,814	6,396
Income tax	(5,477)	(1,991)
Profit for the year	16,337	4,405
Group's share of profit for the year	3,267	881

18. Investments in associates (contd.)

Details of the associates are as follows: (contd.)

(b) The summarised financial statement of MFMA is as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Assets and liabilities		
Current assets	29,444	99,219
Non-current assets	228,721	182,760
Current liabilities	(184,516)	(224,661)
Equity	73,649	57,318
Cost of investment	26,040	23,040
Results		
Revenue	54,623	49,079
Cost of sales	(21,731)	(21,410)
Other income	55,384	8,695
Administrative expenses	(77,430)	(33,713)
Profit before tax for the year	10,846	2,651
Income tax	(2,400)	-
Profit for the year	8,446	2,651
Group's share of profit for the year	2,534	795

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18. Investments in associates (contd.)

Details of the associates are as follows: (contd.)

(c) The summarised financial statement of GMR Male is as follows:

	Group
	2016 **RM'000**
Asset and liabilities	
Current assets	166,641
Current liabilities	(235,883)
Non-current liabilities	(23,107)
Equity	(92,349)
Cost of investment	34,268
Results	
Revenue	66,584
Administrative expenses	(82,872)
Finance costs	(23,804)
Loss before tax for the year	(40,092)
Income tax	(5,250)
Loss for the year	(45,342)
Group's share of loss for the year *	-

* The Group has not recognised further losses relating to GMR Male where its share of losses exceeded the Group's interest and that the Group has no further legal and constructive obligations in its investment in GMR Male. The Group's current year end cumulative share of unrecognised losses in the financial year was RM19,709,000. The Group has no further obligation in respect of these losses and until such time where the associate is in a profitable position, the Group shall recognise the share of profits only after its share of the profits equals the share of losses not recognised.

As at the reporting date, GMR Male has not prepared its financial statements to be shared with the Group. As such, there is no summarised financial information to be presented. The investment was already fully impaired in prior years.

19. Investments in joint ventures

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unquoted shares at cost:				
- in Malaysia	53,718	53,718	53,718	53,718
Share of post-acquisition reserve	38,313	29,002	-	-
	92,031	82,720	53,718	53,718
Analysed as:				
Unquoted shares at cost:				
At 1 January/31 December	53,718	53,718	53,718	53,718
Share of post-acquisition reserve:				
At 1 January	29,002	17,953	-	-
Share of results	14,824	14,055	-	-
Distribution of profits	(5,513)	(3,006)	-	-
At 31 December	38,313	29,002	-	-

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19. Investments in joint ventures (contd.)

Details of the joint ventures are as follows:

Name of entity	Country of incorporation	Issued and paid-up capital RM	Effective interest held 2017 %	Effective interest held 2016 %	Financial year end	Principal activities
Held by the Company:						
Segi Astana Sdn. Bhd. (SASB)*	Malaysia	106,060,000	30	30	31 December	Development, management and operations of property.
Airport Cooling Energy Supply Sdn. Bhd (ACES)**^	Malaysia	19,040,000	23	23	31 August	Development, management and operations of chilled water plant.
- redeemable preference shares		761,600				
Held through a subsidiary:						
Cainiao KLIA Aeropolis Sdn. Bhd. ***^^	Malaysia	206,667,000	30	-	31 March	Development of a regional e-Commerce and logistics hub.

* On 22 September 2011, the Company entered into a Joint Venture Agreement with WCT Land Sdn. Bhd. to provide ancillary and complementary support services and facilities to the klia2 Terminal Building, through SASB.

** On 27 October 2011, the Company entered into a Joint Venture Agreement with TNB Engineering Corporation Berhad and incorporated ACES for the operation and maintenance of a generation plant for the supply of chilled water and power at klia2.

*** On 2 November 2017, MA Elogistics Sdn. Bhd. has entered into a Shareholders' Agreement with Cainiao Smart Logistics Network (Hong Kong) Ltd. (Cainiao HK), to participate in a joint venture company under the name of Cainiao KLIA Aeropolis Sdn. Bhd.

^ Audited by PWC KL

^^ As at reporting date, Cainiao KLIA Aeropolis Sdn. Bhd. has yet to appoint its auditor.

19. Investments in joint ventures (contd.)

Details of the joint ventures are as follows: (contd.)

(a) The summarised financial statement of SASB is as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Assets and liabilities		
Current assets	119,619	99,741
Non-current assets	569,621	589,310
Current liabilities	(146,512)	(133,304)
Non-current liabilities	(389,983)	(427,036)
Equity	152,745	128,711
Cost of investment	31,818	31,818
Results		
Revenue	121,613	124,800
Cost of sales	(29,628)	(30,326)
Other income	11,763	13,073
Administrative expenses	(40,218)	(46,346)
Finance costs	(30,206)	(34,442)
Profit before tax for the year	33,324	26,759
Income tax	(9,557)	(6,724)
Profit for the year	23,767	20,035
Group's share of profit for the year	7,130	6,011

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19. Investments in joint ventures (contd.)

Details of the joint ventures are as follows: (contd.)

(b) The summarised financial statement of ACES is as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Assets and liabilities		
Current assets	64,658	75,477
Non-current assets	368,122	365,347
Current liabilities	(38,894)	(37,632)
Non-current liabilities	(194,464)	(212,066)
Equity	199,422	191,126
Cost of investment	21,900	21,900
Results		
Revenue	76,455	75,695
Cost of sales	(17,820)	(17,182)
Other income	1,158	1,015
Administrative expenses	(2,391)	(1,210)
Finance costs	(11,187)	(12,876)
Profit before tax for the year	46,215	45,442
Income tax	(12,764)	(10,467)
Profit for the year	33,451	34,975
Group's share of profit for the year	7,694	8,044

20. Available-for-sale investments (AFS)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Quoted bonds in Malaysia at fair value	8,000	5,000	8,000	5,000
Quoted unit trust in Malaysia at fair value	102,533	185,958	99,894	183,416
Unquoted shares outside Malaysia**	307,692	-	-	-
AFS at fair value	418,495	190,958	107,894	188,416
Unquoted shares at cost in Malaysia, representing AFS at cost*	254	254	-	-
Unquoted shares outside Malaysia**	-	43,517	-	-
AFS at cost	254	43,771	-	-
Total AFS investments	418,749	234,729	107,894	188,416

Movement in AFS investments is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	234,729	335,344	188,416	291,169
Additions	15,125	2,844	15,056	2,780
Fair value adjustment	264,368	2,968	(4,456)	2,925
Disposals	(91,122)	(108,458)	(91,122)	(108,458)
Foreign currency translation	(4,351)	2,031	-	-
At 31 December	418,749	234,729	107,894	188,416

Unquoted shares of RM213,852,000 (2016: RM29,996,000) of the Group are pledged as security in respect of certain agreements entered into by the Group.

* The fair value information has not been disclosed for these financial instruments as their fair value cannot be measured reliably due to the lack of quoted market price in an active market and assumption required for valuing these financial instruments.

** On 2 February 2018, the Group has entered into a Share Purchase Agreement (SPA) with GMR Airports Limited (Purchaser), for the disposal of all the 41,580,000 equity shares of INR10 each which represents 11% of the total issued and paid-up share capital GMR Hyderabad International Airport Limited (GHIAL)to GMR Airports, for a cash consideration of USD76,050,000, equivalent to RM295,340,000 subject to the terms and conditions contained in the SPA.

21. Fair value measurement

Fair value measurement hierarchy for assets:

Group	Total RM'000	Fair value measurement using: Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
As at 31 December 2017				
Available-for-sale financial investment (Note 20)				
Quoted bond	8,000	-	8,000	-
Quoted unit trust	102,533	-	102,533	-
Unquoted equity shares	308,216	-	-	308,216
	418,749	-	110,533	308,216
As at 31 December 2016				
Available-for-sale financial investment (Note 20)				
Quoted bond	5,000	-	5,000	-
Quoted unit trust	185,958	-	185,958	-
Unquoted equity shares	43,771	-	-	43,771
	234,729	-	190,958	43,771

21. Fair value measurement (contd.)

Fair value measurement hierarchy for assets: (contd.)

	Fair value measurement using			
Company	**Total RM'000**	**Quoted prices in active markets (Level 1) RM'000**	**Significant observable inputs (Level 2) RM'000**	**Significant unobservable inputs (Level 3) RM'000**
As at 31 December 2017				
Available-for-sale financial investment (Note 20)				
Quoted bond	8,000	-	8,000	-
Quoted unit trust	99,894	-	99,894	-
	107,894	-	107,894	-
As at 31 December 2016				
Available-for-sale financial investment (Note 20)				
Quoted bond	5,000	-	5,000	-
Quoted unit trust	183,416	-	183,416	-
	188,416	-	188,416	-

Level 1: The fair value of available-for-sale financial assets is derived from quoted prices in active markets.

Level 2: The fair values of available-for-sale assets cannot be measured based on quoted prices in active markets. Their fair values are measured using valuation techniques from observable markets which was based on analyst reports and there were significant variance in the valuations. Thus, FRS 139 exception rule applied and book values were used.

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

22. Trade and other receivables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Trade receivables				
Third parties	465,751	499,813	-	-
Due from GoM	148,252	167,720	-	-
Accrued revenue	131,431	158,264	-	-
	745,434	825,797	-	-
Less: Allowance for doubtful debts				
Third parties	(127,748)	(86,432)	-	-
Trade receivables, net	617,686	739,365	-	-
Other receivables				
Due from GoM	77,736	37,736	31,559	15,320
Amounts due from subsidiaries	-	-	2,519,332	2,314,203
Employee loans (Note 23)	3,600	3,572	-	-
Deposits	13,798	10,536	68	124
Prepayments	29,580	27,489	2,111	3,319
Sundry receivables	67,873	64,516	12,908	13,554
	192,587	143,849	2,565,978	2,346,520
Less: Allowance for doubtful debts	(18,373)	(11,659)	(5,863)	(5,922)
Other receivables, net	174,214	132,190	2,560,115	2,340,598
	791,900	871,555	2,560,115	2,340,598

22. Trade and other receivables (contd.)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current				
Trade receivable				
Third parties	48,536	205	-	-
Other receivables				
Due from GoM	328,654	349,191	14,886	28,496
Amounts due from a subsidiary	-	-	4,596,389	4,969,993
Sundry receivables	61,078	61,715	-	-
	389,732	410,906	4,611,275	4,998,489
	438,268	411,111	4,611,275	4,998,489
Total trade and other receivables (current and non-current)	1,230,168	1,282,666	7,171,390	7,339,087
Add: Cash and cash equivalents (Note 26)	2,460,980	1,571,876	525,613	223,614
Less: Prepayments	(29,580)	(27,489)	(2,111)	(3,319)
Total loans and receivables	3,661,568	2,827,053	7,694,892	7,559,382

<u>Ageing analysis of trade receivables</u>

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

	Group	
	2017 RM'000	2016 RM'000
Neither past due nor impaired	458,258	376,899
1 to 30 days past due not impaired	22,121	67,229
31 to 60 days past due not impaired	5,373	17,740
61 to 90 days past due not impaired	14,965	21,237
91 to 120 days past due not impaired	10,861	23,017
More than 121 days past due not impaired	16,214	62,258
	69,534	191,481
Impaired	134,747	99,358
	662,539	667,738

22. Trade and other receivables (contd.)

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. More than 71% (2016: 68%) of the Group's trade receivables arise from customers with more than 5 years of experience with the Group.

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

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance for doubtful debts used to record the doubtful debts are as follows:

		Individually impaired	
	Note	2017 RM'000	2016 RM'000
Group			
Trade receivables - nominal amounts		134,747	99,358
Less: Allowance for doubtful debts		(127,748)	(86,432)
	(i)	6,999	12,926

(i) Receivables that are past due but not impaired

(a) Receivables amounting to RM6,704,000 (2016: RM8,623,000) are mainly due from an associate company, which is expected to be recoverable.

(b) Receivables amounting to RM295,000 (2016: RM4,303,000) are expected to be settled by installment arrangement plan.

22. Trade and other receivables (contd.)

Movement in allowance for doubtful debts:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables				
At 1 January	86,432	74,256	-	-
Net allowance of doubtful debts (Note 7)	41,291	12,160	-	-
Foreign currency translation	25	16	-	-
At 31 December	127,748	86,432	-	-
Other receivables				
At 1 January	11,659	10,799	5,922	6,162
Net allowance/(writeback) of doubtful debts (Note 7)	6,714	860	(59)	(240)
At 31 December	18,373	11,659	5,863	5,922

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

(a) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to monitor the Group's credit risk. Overdue balances are reviewed regularly by senior management and bears interest at 1% (2016: 1%) per month on overdue balances. As at reporting date, the concentration of credit risk in the form of outstanding balances is mainly due to six (2016: five) customers representing approximately 54% (2016: 49%) of the total trade receivables.

(b) Amounts due from subsidiaries

(i) Current

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

(ii) Non-current

Amount due from a subsidiary is unsecured and bear interest at 4.79% per annum.

22. Trade and other receivables (contd.)

(c) Sundry receivables (Non-current)

Included in sundry receivables is Value Added Tax (VAT) receivable of RM55,844,000 (2016: RM55,710,000) classified as long-term receivables. These amounts arose from the Utilisation Fee liability to the Administration, and will not be refunded in cash or allowed to offset against other tax liabilities. ISG will be offsetting these long-term receivables when it generates such a level of revenue that the VAT payable arising would exceed VAT paid for other operational and investing activities.

(d) Prepayments

Prepayments amounting to RM12,618,000 (2016: RM15,001,000) are in respect of leasing equipment for klia2.

(e) Due from GoM

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Trade receivable				
MARCS (Note 2.4(y)(iv))	148,252	167,720	-	-
Other receivable				
Debts assumed from a former subsidiary	77,736	37,736	31,559	15,320
Non-current				
Other receivables				
Debts assumed from a former subsidiary	36,668	70,192	14,886	28,496
Receivable on call option (Note 2.5(a)(ii))	291,986	278,999	-	-
	328,654	349,191	14,886	28,496
Total amount due from GoM	554,642	554,647	46,445	43,816

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

23. Employee loans

	Group 2017 RM'000	Group 2016 RM'000
Employee loans	31,311	35,282
Less: Current portion (Note 22)	(3,600)	(3,572)
Non-current portion	27,711	31,710
Analysed as:		
Current	3,600	3,572
Non-current:		
Later than 1 year but not later than 2 years	2,628	2,919
Later than 2 years but not later than 5 years	6,398	6,922
Later than 5 years	18,685	21,869
	27,711	31,710
	31,311	35,282

The employee loans attract interest rate at 4% (2016: 4%) per annum.

24. Deferred tax (assets)/liabilities

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
At 1 January	719,954	703,375	(3,361)	(266)
Recognised in the statement of profit or loss (Note 9)	(59,678)	20,537	2,209	(3,095)
Recognised in equity	(103)	(5,806)	-	-
Foreign currency translation	19,769	1,848	-	-
At 31 December	679,942	719,954	(1,152)	(3,361)
Presented in the statements of financial position as follows:				
Deferred tax assets	(236,515)	(215,886)	(14,237)	(18,041)
Deferred tax liabilities	916,457	935,840	13,085	14,680
	679,942	719,954	(1,152)	(3,361)

24. Deferred tax (assets)/liabilities (contd.)

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

Deferred tax liabilities of the Group:

	Property, plant and equipment and intangibles RM'000	Borrowings RM'000	Total RM'000
At 1 January 2017	1,799,138	7,562	1,806,700
Recognised in the statement of profit or loss	100,272	3,291	103,563
Foreign currency translation	772	(192)	580
At 31 December 2017	1,900,182	10,661	1,910,843
Less: Offset against deferred tax assets			(994,386)
			916,457
At 1 January 2016	1,810,499	9,588	1,820,087
Recognised in the statement of profit or loss	(15,881)	(2,021)	(17,902)
Foreign currency translation	4,520	(5)	4,515
At 31 December 2016	1,799,138	7,562	1,806,700
Less: Offset against deferred tax assets			(870,860)
			935,840

24. Deferred tax (assets)/liabilities (contd.)

Deferred tax assets of the Group:

	Investment tax allowances RM'000	Fair value of the interest swap RM'000	Unutilised tax losses and unabsorbed capital allowances RM'000	Receivables RM'000	Retirement benefits RM'000	Payables RM'000	Total RM'000
At 1 January 2017	(29,520)	(9,355)	(321,332)	(33,005)	(42)	(693,492)	(1,086,746)
Recognised in the statement of profit or loss	(16,800)	-	27,124	(11,169)	(127)	(162,269)	(163,241)
Recognised in equity	-	(103)	-	-	-	-	(103)
Foreign currency translation	-	237	2,073	(141)	1	17,019	19,189
At 31 December 2017	(46,320)	(9,221)	(292,135)	(44,315)	(168)	(838,742)	(1,230,901)
Less: Offset against deferred tax liabilities							994,386
							(236,515)
At 1 January 2016	(29,520)	(3,522)	(380,537)	(30,552)	(27)	(672,554)	(1,116,712)
Recognised in the statement of profit or loss	-	-	57,312	(2,464)	(14)	(16,395)	38,439
Recognised in equity	-	(5,806)	-	-	-	-	(5,806)
Foreign currency translation	-	(27)	1,893	11	(1)	(4,543)	(2,667)
At 31 December 2016	(29,520)	(9,355)	(321,332)	(33,005)	(42)	(693,492)	(1,086,746)
Less: Offset against deferred tax liabilities							870,860
							(215,886)

24. Deferred tax (assets)/liabilities (contd.)

Deferred tax liability of the Company:

	Property, plant and equipment RM'000
At 1 January 2017	14,680
Recognised in the statement of profit or loss	(1,595)
At 31 December 2017	13,085
At 1 January 2016	11,682
Recognised in the statement of profit or loss	2,998
At 31 December 2016	14,680

Deferred tax asset of the Company:

	Payables RM'000
At 1 January 2017	(18,041)
Recognised in the statement of profit or loss	3,804
At 31 December 2017	(14,237)
At 1 January 2016	(11,948)
Recognised in the statement of profit or loss	(6,093)
At 31 December 2016	(18,041)

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unutilised tax losses	415	549,464	-	-
Unabsorbed capital allowances	9,761	43	9,761	-
Other deductible temporary differences	-	23	-	-
	10,176	549,530	9,761	-

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

24. Deferred tax (assets)/liabilities (contd.)

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

25. Inventories

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cost				
Spares and consumables	31,304	33,847	13	13
Merchandise goods	108,266	99,623	-	-
Food and beverages	1,021	1,765	-	-
	140,591	135,235	13	13

The cost of inventories relating to merchandise goods, food and beverages recognised as an expense during the financial year amounted to RM448,977,000 (2016: RM396,917,000).

26. Cash and cash equivalents

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash on hand and at banks	378,100	272,265	64,241	12,378
Deposits with licensed banks	2,018,954	1,255,412	428,546	198,703
Money on call with licensed banks	63,926	44,199	32,826	12,533
Cash and bank balances	2,460,980	1,571,876	525,613	223,614

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

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances:				
- Continuing operations	2,460,980	1,571,876	525,613	223,614
- Discontinued operation (Note 10)	-	151	-	-
Cash and cash equivalents	2,460,980	1,572,027	525,613	223,614

27. Share capital

	Number of shares	
	2017	**2016**
Issued and fully paid:		
Special Rights Redeemable Preference Share	1	1
Ordinary shares	1,659,191,828	1,659,191,828
	1,659,191,829	1,659,191,829

	Group/Company	
	2017 RM'000	**2016 RM'000**
Issued and fully paid:		
Ordinary Shares		
At the beginning of financial year	1,659,192	1,659,192
Effect of implementation of the Companies Act, 2016*	3,455,149	-
At the end of financial year	5,114,341	1,659,192

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

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

Share premium

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

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

27. Share capital (contd.)

Share premium (contd.)

The Company may pay/provide for:

(a) the premium payable on redemption of debentures or redeemable preference shares issued before 31 January 2017;

(b) writing off the preliminary expenses incurred before 31 January 2017, or expenses incurred, commissions or brokerage paid or discounts allowed, before or on 31 January 2017, for any duty, fee or tax payable on or in connection with any issue of shares of the Company;

(c) unissued shares before 31 January 2017 as fully paid up bonus shares;

(d) in whole or in part the balance unpaid on shares issued before 31 January 2017; or

(e) dividends-in-specie declared before 31 January 2017.

Special Rights Redeemable Preference Share

(a) The Special Rights Redeemable Preference Share (Special Share) of RM1 enables the GoM, through the Minister of Finance, to ensure that certain major decisions affecting the operations of the Company are consistent with GoM policies. The Special Shareholder, which may only be the GoM or any representative or person acting on its behalf, is entitled to receive notices of meetings but not entitled to vote at such meetings of the Company. However, the Special Shareholder is entitled to attend and speak at such meetings. The Special Shareholder has the right to appoint any person, but not more than six at any time, to be directors.

(b) The Special Shareholder has the right to require the Company to redeem the Special Share at par at any time by serving written notice upon the Company and delivering the relevant share certificate.

(c) The Special Shareholder shall be entitled to repayment of the capital paid-up on the Special Share in priority to any repayment of capital to any other member.

(d) The Special Shareholder does not have any right to participate in the capital or profits of the Company.

(e) Certain matters which vary the rights attached to the Special Share can only be effective with the written consent of the Special Shareholder, in particular matters relating to the creation and issue of additional shares which carry different voting rights, the dissolution of the Company, substantial disposal of assets, amalgamations, merger and takeover.

28. Retained earnings

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

29. Fair value adjustment reserve

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

30. Other reserves and foreign exchange reserve

(a) Foreign exchange reserve

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

(b) Other reserves

		Group	
	Note	2017 RM'000	2016 RM'000
Reserve arising from acquisition of non-controlling interest			
As at 1 January/31 December	(i)	2,546	2,546
Legal reserve			
As at 1 January		4,255	2,537
Created during the year		-	1,694
Foreign currency translation		90	24
As at 31 December	(ii)	4,345	4,255
		6,891	6,801

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

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

30. Other reserves and foreign exchange reserve (contd.)

(b) Other reserves (contd.)

(ii) Legal reserve

(1) In accordance with Qatar Commercial Companies' Law No. 11 of 2015, (the Qatari Law) and the Articles of Association of MACS ME, 10% of the MACS ME's profit for the period is required to be transferred to a Legal Reserve until such time the reserve equals 50% of MACS ME's paid-up capital. This reserve is not available for distribution except in the circumstances stipulated under the Qatari Law.

(2) According to Turkish Commercial Code (TCC), legal reserve comprise first and second legal reserves. The first legal reserve is generated by annual appropriations amounting to 5% of income disclosed in the LGM's statutory accounts until it reaches 20% of paid-in share capital. If the dividend distribution is made in accordance with Dividend Distribution Communique II-19.1, a further 1/10 of dividend distributions, in excess of 5% of paid-in capital is to be appropriated to increase second legal reserve. If the dividend distribution is made in accordance with statutory records, a further 1/11 of dividend distributions, in excess of 5% of paid-in capitals are to be appropriated to increase second legal reserve. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital. As at 31 December 2017, total legal reserves in LGM amounts to EUR874,000, equivalent to RM4,230,000 (2016: EUR874,000, equivalent to RM4,125,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

31. Loans and borrowings

		Group		Company	
	Maturity	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current					
Unsecured:					
4.15% p.a. fixed rate RM Senior Sukuk	2018	250,000	-	250,000	-
Secured:					
Euribor + 2.5% p.a. Senior Term Facility	2017	-	193,638	-	-
Euribor + 2.5% p.a. Senior Term Facility	2018	173,258	-	-	-
		423,258	193,638	250,000	-
Non-current					
Unsecured:					
4.55% p.a. fixed rate RM IMTN	2021	1,000,000	1,000,000	1,000,000	1,000,000
4.68% p.a. fixed rate RM IMTN	2023	1,500,000	1,500,000	1,500,000	1,500,000
4.15% p.a. fixed rate RM IMTN	2025	600,000	600,000	600,000	600,000
4.15% p.a. fixed rate RM Senior Sukuk	2018	-	250,000	-	250,000
Secured:					
Euribor + 2.5% p.a. Senior Term Facility	2018 - 2021	-	2,036,142	-	-
Euribor + 2.5% p.a. Senior Term Facility	2018 - 2023	2,026,028	-	-	-
		5,126,028	5,386,142	3,100,000	3,350,000
Total loans and borrowings					
4.55% p.a. fixed rate RM IMTN		1,000,000	1,000,000	1,000,000	1,000,000
4.68% p.a. fixed rate RM IMTN		1,500,000	1,500,000	1,500,000	1,500,000
4.15% p.a. fixed rate RM IMTN		600,000	600,000	600,000	600,000
4.15% p.a. fixed rate RM Senior Sukuk		250,000	250,000	250,000	250,000
Euribor + 2.5% p.a. Senior Term Facility		2,199,286	2,229,780	-	-
		5,549,286	5,579,780	3,350,000	3,350,000

31. **Loans and borrowings (contd.)**

The remaining maturities of the loans and borrowings as at 31 December 2017 are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	**2017 RM'000**	2016 RM'000
On demand or within one year	423,258	193,638	250,000	-
More than 1 year and less than 2 years	210,637	568,137	-	250,000
More than 2 years and less than 5 years	2,175,302	2,718,005	1,000,000	1,000,000
5 years or more	2,740,089	2,100,000	2,100,000	2,100,000
	5,549,286	5,579,780	3,350,000	3,350,000

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

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

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

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

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

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

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

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

31. Loans and borrowings (contd.)

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

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

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

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

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

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

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

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

On 15 December 2014, the Company has completed the issuance of RM1,000,000,000 Perpetual Subordinated Sukuk pursuant to the Perpetual Subordinated Sukuk Programme. The Perpetual Subordinated Sukuk is structured as a Perpetual Sukuk and accounted as equity (as stated in Notes 2.4(ac) and 32).

31. Loans and borrowings (contd.)

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

The outstanding Senior Sukuk with total face value of RM250,000,000 is unsecured. Details of the Senior Sukuk are as follows:

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

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

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

(i) the aggregate face value of all outstanding ICPs, and all outstanding principal amount payable under the IMTNs and the Senior Sukuk Programme; and

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

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

(c) Senior Term Facility

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

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

31. Loans and borrowings (contd.)

(c) Senior Term Facility (contd.)

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

ISG is required to fund a minimum Debt Service Reserve Account (DSRA) corresponding to the interest payable in the next interest period amounting to EUR6,585,000, equivalent to RM31,871,000 (2016: EUR6,585,000, equivalent to RM31,081,000).

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

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

Historic debt service coverage ratio	Minimum of 1.05:1 (December 2016 – 1.10:1)
Projected debt service coverage ratio	Removed (December 2016 – 1.10:1)
Loan life cover ratio	Minimum of 1.05:1 (December 2016 – 1.15:1)

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

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

31. Loans and borrowings (contd.)

(c) Senior Term Facility (contd.)

These Senior Term Facility with total face value of EUR500,000,000, equivalent to RM2,420,000,000 are secured. The remaining balances of the Senior Term Facility are as follows:

Coupon rate	EUR'000	RM'000	Issue date	Maturity amount (RM'000)	Maturity date
Euribor + 2.5% p.a.	454,398 *	2,199,285	24.12.2014	75,557	26.06.2018
				97,701	27.12.2018
				94,903	26.06.2019
				115,733	27.12.2019
				112,563	26.06.2020
				132,213	29.12.2020
				171,692	28.06.2021
				231,206	24.12.2021
				267,416	24.06.2022
				260,213	24.12.2022
				293,913	24.06.2023
				346,175	24.12.2023
				2,199,285	

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

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

32. Perpetual Sukuk

	Group/Company	
	2017 RM'000	2016 RM'000
Nominal value	997,842	997,842

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

32. Perpetual Sukuk (contd.)

The salient features of the Perpetual Sukuk are as follows:

(a) The Perpetual Sukuk is issued under the Islamic Principle of Musharakah;

(b) The Perpetual Sukuk is a perpetual non-call ten (10) - year with no fixed tenure and carries a fixed initial periodic distribution rate of 5.75% (per annum, payable semi-annually) up to the 10th year anniversary of the issue date, after which and for every 10 year onward the periodic distribution rate will be reset. The periodic distribution rate will be reset to the prevailing 10 – year MGS benchmark rate plus 1.867% (Initial Spread) plus 1.00% step up rate. As at 31 December 2017, a periodic distribution for Perpetual Sukuk payable was RM57,500,000 (2016: RM57,658,000);

(c) Deferred periodic distribution, if any, will be cumulative and accrued at the prevailing periodic distribution rate;

(d) The Perpetual Sukuk has no fixed redemption date;

(e) MAHB has the option to redeem the Perpetual Sukuk in whole under the following circumstances:

[i] Option of issuer – at the option of MAHB on each Call Date;
[ii] Tax reasons – if MAHB is obliged to pay additional amount due to change in tax laws or regulations in Malaysia;
[iii] Rating Event – if there is change in equity credit criteria, guidelines or methodology of rating agency which results in lower equity credit of the Perpetual Sukuk;
[iv] Accounting reasons – if there is change in accounting standards which results in the Perpetual Sukuk no longer be classified as equity;
[v] Tax deductibility – if there is change in tax laws or regulations in Malaysia which results in the periodic distribution amount no longer eligible for full tax deductibility under corporate income tax;
[vi] Minimal outstanding amount – if the outstanding Perpetual Sukuk is less than 10% of the nominal value originally issued;
[vii] Change of control – if the GoM cease to hold the Special Share issued by MAHB; and
[viii] Revocation of license – if the licenses issued by Minister of Transport to MAHB Group is being revoked/terminated which results in the cessation of MAHB operations for a period more than 30 consecutive days.

(f) Payment obligations on the Perpetual Sukuk will at all times, rank in priority to other share capital instruments for the time being outstanding, but junior to the claims of present and future creditors of MAHB (other than obligations ranking pari passu with the Perpetual Sukuk);

(g) The Perpetual Sukuk is rated AA2 by RAM; and

(h) The Perpetual Sukuk is unsecured.

33. Derivative financial instruments

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

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

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

Due date of transaction

	IRS Swap Contract - I		IRS Swap Contract - II	
	Notional amounts (RM'000)	Fixed Euribor (%)	Notional amounts (RM'000)	Fixed Euribor (%)
26 June 2018	1,089,000	0.3000	1,125,300	0.2500
27 December 2018	1,016,400	0.3000	1,101,100	0.2500
26 June 2019	943,800	0.3000	1,064,800	0.2500
27 December 2019	810,700	1.3025	1,028,500	1.1800
26 June 2020	677,600	1.3025	980,100	1.1800
29 December 2020	520,300	1.3025	931,700	1.1800
28 June 2021	363,000	1.3025	871,200	1.1800
24 December 2021	193,600	1.3025	786,500	1.1800
24 June 2022	-	-	665,500	1.1800
26 December 2022	-	-	520,300	1.1800
26 June 2023	-	-	375,100	1.1800
26 December 2023	-	-	205,700	1.1800

33. Derivative financial instruments (contd.)

As of 31 December 2017, fair value of the above mentioned contracts are EUR9,526,000, equivalent to RM46,106,000 (2016: EUR9,911,000, equivalent to RM46,782,000). Fair value of cash outflows with respect to the derivative that fall within one year from the financial position date, amounting to EUR1,786,000, equivalent to RM8,644,000 (2016: EUR718,000, equivalent to RM3,389,000) is classified under current liabilities whereas the remaining amount of EUR7,740,000, equivalent to RM37,462,000 (2016: EUR9,193,000, equivalent to RM43,393,000) is classified under non-current liabilities.

The unrealised loss on interest rate swaps transferred to the statement of profit or loss that is recognised in the consolidated statement of comprehensive income as at 31 December 2017 are as follows:

	Group	
	2017 RM'000	2016 RM'000
Recognised in other comprehensive income	(8,826)	23,926
Recognised in profit or loss	6,543	3,437
Foreign currency translation	3,558	113
	1,275	27,476

34. Trade and other payables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Trade payables				
Third parties	404,902	330,672	-	-
Utilisation Fee Liability (Note 34(f))	462,588	451,119	-	-
	867,490	781,791	-	-
Other payables				
Amounts due to subsidiaries	-	-	107,056	75,573
Accruals (Note 34(d))	178,387	197,817	64,063	80,891
Provisions for liabilities	26,435	24,713	6,284	4,995
Sundry payables	420,931	283,795	128,441	45,891
Deferred income (Note 34(c))	109,595	111,129	-	-
Distribution to Perpetual Sukuk holder	2,572	2,572	2,572	2,572
Deposits	115,187	106,684	12,482	13,244
Concession liabilities (Note 34(e))	31,766	30,070	-	-
	884,873	756,780	320,898	223,166
	1,752,363	1,538,571	320,898	223,166
Non-current				
Trade payables				
Third parties	100,120	44,876	-	-
Utilisation Fee Liability (Note 34(f))	4,505,176	3,917,230	-	-
	4,605,296	3,962,106	-	-
Other payables				
Sundry payables	2,363	1,817	-	-
Deferred income (Note 34(c))	156,678	56,574	-	-
Retirement benefit obligations	3,868	3,309	-	-
Concession liabilities (Note 34(e))	404,683	436,727	-	-
	567,592	498,427	-	-
	5,172,888	4,460,533	-	-
Total trade and other payables (current and non-current)	6,925,251	5,999,104	320,898	223,166
Add: Loans and borrowings (Note 31)	5,549,286	5,579,780	3,350,000	3,350,000
Less: Provisions for liabilities	(26,435)	(24,713)	(6,284)	(4,995)
Deferred income	(266,273)	(167,703)	-	-
Total financial liabilities carried at amortised cost	12,181,829	11,386,468	3,664,614	3,568,171

34. Trade and other payables (contd.)

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

	Short-term accumulating compensated absences RM'000	Assessment fees RM'000	Total RM'000
Group			
At 31 December 2017			
At 1 January 2017	22,455	2,258	24,713
Additional provision during the year	7,850	4,611	12,461
Writeback of provision during the year	(5,290)	(4,709)	(9,999)
Utilised during the year	(39)	(701)	(740)
At 31 December 2017	24,976	1,459	26,435
At 31 December 2016			
At 1 January 2016	23,094	2,997	26,091
Additional provision during the year	3,939	3,970	7,909
Writeback of provision during the year	(4,558)	(1,134)	(5,692)
Utilised during the year	(20)	(3,575)	(3,595)
At 31 December 2016	22,455	2,258	24,713

34. Trade and other payables (contd.)

Movement of provisions for liabilities during the year is as follows: (contd.)

	Short-term accumulating compensated absences RM'000
Company	
At 31 December 2017	
At 1 January 2017	4,995
Additional provision during the year	1,325
Writeback of provision during the year	(30)
Utilised during the year	(6)
At 31 December 2017	6,284
At 31 December 2016	
At 1 January 2016	5,160
Writeback of provision during the year	(150)
Utilised during the year	(15)
At 31 December 2016	4,995

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

	Retirement benefit obligations RM'000
Group	
At 31 December 2017	
At 1 January 2017	3,309
Recognised in the statement of profit or loss	1,121
Utilised during the year	(425)
Foreign currency translation	(137)
At 31 December 2017	3,868
At 31 December 2016	
At 1 January 2016	2,777
Recognised in the statement of profit or loss	879
Utilised during the year	(437)
Foreign currency translation	90
At 31 December 2016	3,309

34. Trade and other payables (contd.)

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

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 (2016: 30 to 90) days.

(b) Amounts due to subsidiaries

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

(c) Deferred income

Deferred income is analysed as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Analysed as:		
Current	109,595	111,129
Non-current:		
Later than 1 year but not later than 2 years	23,888	5,696
Later than 2 years but not later than 5 years	47,352	12,788
Later than 5 years	85,438	38,090
	156,678	56,574
	266,273	167,703

Deferred income is in respect of customer loyalty programme on airline incentives and deferred lease rental from commercial activities.

(d) Accruals

Included in accruals is RM24,618,000 (2016: RM47,995,000) amount accrued in relation to klia2 construction cost.

34. Trade and other payables (contd.)

(e) Concession liabilities

Concession liabilities are in respect of the following:

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

(ii) and (iii) above are collectively referred as Airport Facility Arrangements as disclosed in Note 2.4 (ab) where the arrangement with service providers in supplying chilled water utility contains a lease arrangement and the fulfilment of the arrangement is dependent on a specified asset pursuant to an Operating Agreement upon the adoption of IC 12.

Concession liabilities are analysed as follows:

	Group			
	Lease rental payable to GoM		Airport Facility Arrangements (AFA)	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Analysed as:				
Current	-	-	31,766	30,070
Non-current:				
Later than 1 year but not later than 2 years	294	277	15,182	31,766
Later than 2 years but not later than 5 years	992	936	50,879	48,162
Later than 5 years	89,618	89,970	247,718	265,616
	90,904	91,183	313,779	345,544
Total minimum lease payment	90,904	91,183	345,545	375,614

	Group	
	2017 RM'000	2016 RM'000
Current	31,766	30,070
Non-current	404,683	436,727
Total concession liabilities	436,449	466,797

The AFA obligation is arrived at after discounting the future estimated finance charge of RM155,953,000 (2016: RM175,862,000).

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

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

34. Trade and other payables (contd.)

(f) Utilisation Fee Liability

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

	Group	
	2017 RM'000	2016 RM'000
Analysed as:		
Current	462,588	451,119
Non-current:		
Later than 1 year but not later than 2 years	498,555	386,691
Later than 2 years but not later than 5 years	1,298,330	1,149,780
Later than 5 years	2,708,291	2,380,759
	4,505,176	3,917,230
	4,967,764	4,368,349

35. Lease arrangements

Operating lease

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

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

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Future minimum rental payments:				
Not later than 1 year	39,661	48,535	7,615	9,727
Later than 1 year but not later than 5 years	101,842	108,460	9,620	16,521
Later than 5 years	3,113	18,479	-	-
	144,616	175,474	17,235	26,248

36. Commitments

	Not later than 1 year RM'000	Later than 1 year but not later than 5 years RM'000	Total RM'000
Group			
31 December 2017			
(i) Approved but not contracted for:			
Capital expenditure	1,120,657	-	1,120,657
(ii) Other investments:			
Investment in ISG [a]	58,080	138,085	196,165
Investment in MFMA [b]	45,056	-	45,056
	103,136	138,085	241,221
	1,223,793	138,085	1,361,878
Group			
31 December 2016			
(i) Approved but not contracted for:			
Capital expenditure	660,262	-	660,262
(ii) Other investments:			
Investment in ISG [a]	-	247,942	247,942
Investment in MFMA [b]	-	58,729	58,729
	-	306,671	306,671
	660,262	306,671	966,933

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31 December 2017

36. Commitments (contd.)

	Not later than 1 year RM'000	Later than 1 year but not later than 5 years RM'000	Total RM'000
Company			
31 December 2017			
(i) Approved but not contracted for:			
Capital expenditure	63,150	-	63,150
(ii) Other investment:			
Investment in ISG [a]	58,080	138,085	196,165
	121,230	138,085	259,315
31 December 2016			
(i) Approved but not contracted for:			
Capital expenditure	35,133	-	35,133
(ii) Other investment:			
Investment in ISG [a]	-	49,588	49,588
	35,133	49,588	84,721

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Analysed as:				
Not later than 1 year	1,223,793	660,262	121,230	35,133
Later than 1 year but not later than 5 years	138,085	306,671	138,085	49,588
	1,361,878	966,933	259,315	84,721

36. Commitments (contd.)

(a) Prior to the refinancing of ISG as stated in Note 31(c), a Shareholder Support Agreement dated 6 June 2008 and amended on 3 October 2011 (Agreement) was entered between the Company, together with GMR, Limak, and, amongst others, ISG to facilitate the loan financing arrangements by ISG to fund the development of ISGIA for amounts up to EUR52,530,000, equivalent to RM254,245,000 (2016: EUR52,530,000, equivalent to RM247,942,000). Pursuant to the Agreement, each Shareholder had agreed to provide further equity funding to ISG under certain prescribed circumstances, which include additional investment as may be requested by the Authority pursuant to its Implementation Agreement and to ensure ISG has sufficient funds to meet certain loan covenants and obligations as stipulated therein. ISG's obligation to provide further equity funding is expected to be based on its proportionate shareholding and is not obliged to cover any shortfall of any other Shareholder. Upon completion of the refinancing and acquisition of ISG, MAHB Group provides full financial support to meet ISG's obligations stipulated under the new loan agreements and/or Implementation Agreement, as and when necessary. As at 31 December 2017, other than those disclosed above, there are no further approved commitments relating to the equity funding for the additional investment in ISG.

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

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

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

On 17 November 2014, MFMA has drawdown USD43,600,000, equivalent to RM145,428,000, out of total loan facility of USD60,000,000, equivalent to RM257,400,000. On 15 September 2017, MFMA has further drawdown USD2,340,000, equivalent to RM9,840,000. On 16 November 2017, the loan has been extended for additional six months to 14 May 2018. Total outstanding loan amount as at 31 December 2017 is RM155,268,000. The commitments by MAHB is in respect of the Facility B amounted to RM46,580,000 (2016: RM58,729,000).

37. Financial guarantees and contingencies

(a) Guarantees

(i) As of 31 December 2017, ISG has given five (2016: three) letters of guarantee, one amounting to EUR80,341,000, equivalent to RM388,850,000 (2016: EUR86,079,000, equivalent to RM406,293,000), one amounting to EUR13,009,000, equivalent to RM62,964,000 (2016: EUR13,009,000, equivalent to RM61,402,000), and another amounting to EUR1,629,000, equivalent to RM7,884,000 (2016: EUR1,629,000, equivalent to RM7,689,000) and two additional EUR20,118,000, equivalent to RM97,371,000 and EUR315,000, equivalent to RM1,525,000 are provided to the Administration (representing 6% of total amount payable to the Administration for the right to operate the Facility as set out in the Implementation Agreement).

(ii) As of 31 December 2017, LGM has given a letter of guarantee to Havaalani Isletme ve Havacilik Endustrileri A.S. (HEAS) amounting to EUR418,000, equivalent to RM2,023,000 (2016: EUR474,000, equivalent to RM2,237,000) for the rental of the hangar operations.

(iii) MACS has provided the following guarantees for customers of MACS ME:

(a) Performance Bank Guarantee totalling to QAR39,700,000, equivalent to RM50,022,000 (2016: QAR39,700,000, equivalent to RM50,022,000).

(b) Advance Payment Guarantee totalling to QAR22,000,000, equivalent to RM27,720,000 (2016: QAR22,000,000, equivalent to RM27,720,000).

(c) Parent Company Guarantee (PCG) to guarantee the performance of obligations and liabilities of MACS ME under contract for Facility Management Services for Airport Operational Facilities and Ancillary Buildings.

The Group has assessed the guarantee contracts and concluded that the guarantees are more likely not to be called upon and accordingly not recognised as financial liability as at 31 December 2017.

(b) Contingent liabilities

(i) ISG is involved in, and may from time to time be involved in a number of legal proceedings. There are 213 (2016: 239) employee lawsuits filed against ISG either directly or indirectly via sub-contractors. The total amount of claims against ISG is EUR923,000, equivalent to RM4,467,000 (2016: EUR1,104,000, equivalent to RM5,211,000). ISG recognised a provision for these claims of EUR923,000, equivalent to RM4,467,000 (2016: EUR1,041,000, equivalent to RM4,914,000) in the consolidated financial statements considering that ISG cannot establish the rest of the claims and that a probable loss will occur.

(ii) The Tax Authorities of Turkey had informed ISG to revise the Value Added Tax (VAT) refund request in respect of the VAT Circular number 60 dated 8 August 2011 for the periods from 1 July 2012 to 31 May 2013. ISG has submitted the revised refund request amounting to EUR3,066,000, equivalent to RM14,839,000. ISG has contested the claim arising out of the revised refund request in the designated Courts of Turkey as the management of ISG is of the opinion that the initial refund request for the said period is valid as it is in line with the refund requests already accepted by the tax authorities for the periods from 1 August 2011 to 30 June 2012 amounting to EUR3,858,000, equivalent to RM18,673,000. ISG booked the EUR3,066,000, equivalent to RM14,839,000 as VAT receivables and tax payable in the consolidated financial statements as of 31 December 2013. EUR989,000, equivalent to RM4,787,000 was paid to the tax office in January 2014 leaving a payable of EUR2,084,000, equivalent to RM10,087,000 as of 31 December 2014. ISG has won the lawsuit and therefore no longer has a payable of EUR2,084,000, equivalent to RM10,087,000 in the statutory books. The amount paid of EUR989,000, equivalent to RM4,787,000 has been offset against VAT payable to the government.

37. Financial guarantees and contingencies (contd.)

(b) Contingent liabilities (contd.)

(ii) In the meantime, the Tax Authorities of Turkey has requested ISG to revise the VAT refund requests and apply a different methodology for the periods from 1 July 2012 to 30 September 2014. Since ISG has won the court case for the periods from 1 July 2012 to 31 May 2013 no further action is required. For the periods from 1 June 2013 to 30 September 2014 ISG has submitted the revised refund request amounting to EUR674,000, equivalent to RM3,262,000. ISG booked the EUR674,000, equivalent to RM3,262,000 as VAT receivables and tax payable in the consolidated financial statements. ISG has paid EUR674,000, equivalent to RM3,262,000 to the government and file the court case contesting the claim arising out of the revised refund request in the designated Courts of Turkey as the management of ISG is of the opinion that the initial refund request for the said period is valid as also shown in the court case for the periods 1 July 2012 to 31 May 2013. The tax office has initiated a tax audit on 23 December 2016 in respect of the period 1 July 2012 to 31 May 2013 and on 13 April 2017 in respect of the period 1 January 2014 to 31 December 2014 for the VAT referred to above. The tax auditor initially accepted the method applied by ISG and did not raise a criticism and wrote a clean report. However, the report of the auditor was evaluated by the Report Reading Committee and the Committee did not agree with the auditor and asked him to rewrite his report and apply the method the tax office has asked ISG to adopt. ISG received the final report on 24 November 2017.

ISG has booked a provision of late payment interest calculated TL5,500,000, equivalent to EUR1,177,000 or RM5,697,000 for that tax issue mentioned above. The tax charge of principle is not an expense since it will increase VAT receivables carried forward.

In addition to that, on 23 December 2016, a Special Consumption Tax (SCT) audit has been started for the periods 2011, 2012 and 2013 against the ISG about jet fuel sales. ISG is not a SCT payer since jet fuel is exempt from SCT. ISG did not therefore expect any issues to arise from this tax audit. The tax auditor initially did not raise a criticism and wrote a clean report, as expected. However, the report of the auditor was evaluated by the Report Reading Committee and the Committee did not agree with the auditor and asked to rewrite the report. ISG has experienced cases of jet fuel theft in 2012 and was challenged by the tax authorities that stolen jet fuel shall be regarded as a SCT base fuel. As a result of that, Special Consumption Tax exposure inclusive of tax charge, late payment interest charges and tax penalties amount to TL700,000, equivalent to EUR149,800 or RM725,000 has been booked as a provision in the ISG's accounts.

(iii) On 20 August 2015, MAP received a Notice of Arbitration from KAF in respect of the alleged losses and damages in the sum of RM28,277,000 pertaining to among others, design changes under the AFA dated 26 September 2007. Both parties have appointed an arbitrator. The hearing session for the arbitration has been conducted from 2 to 6 October 2017. The arbitrator has further instructed the parties to file the closing submission by 8 December 2017. Oral hearing which was fixed on 11 January 2018 was rescheduled to 22 January 2018. The hearing was concluded on 22 January 2018 and decision is expected within three to four months.

(iv) On 26 February 2016, MAP received a Notice of Arbitration from KAF in respect of the alleged losses and damages in the estimated claim amount of RM456,000,000 pertaining to inter alia, the changes of the concession period under the AFA dated 26 September 2007. MAHB has obtained a preliminary view from its solicitors who consider that MAP has a reasonably good prospect of defending the claims as MAP has complied with all the terms and conditions under the AFA. On 13 February 2017, MAP has informed KAF on the Operating Agreements extension as disclosed in Note 1.2(f) and requested KAF to withdraw the arbitration notice. However, KAF refused to withdraw the arbitration notice and grants MAP on the extension until 30 May 2017 to facilitate further negotiations on the matter. MAP requested from KAF for further extension to 30 December 2017. On 9 August 2017, KAF agreed to withhold the arbitration proceedings until 30 June 2018 pending the negotiations between MAHB and Government.

37. Financial guarantees and contingencies (contd.)

(b) Contingent liabilities (contd.)

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

MAHB has filed an application for stay of proceedings in light of the arbitration provisions in the contract. The court has fixed the hearing for the 'Stay Application' on 2 August 2017. On 23 August 2017, the court had allowed MAHB's 'Stay Application' with cost of RM10,000 to be paid by SPASB to MAHB. In light of the court's order, SPASB now has 2 options, namely:

(a) Appeal to the Court of Appeal on the decision within 30 days from 23 August 2017, or

(b) Initiate an action via arbitration if they wish to continue making claims against MAHB under the contract.

On 15 September 2017, SPASB had served upon MAHB a Letter of Demand under the Construction Industry Payment and Adjudication Act 2012 (CIPAA 2012) for its payment claim. MAHB has responded to this demand on 29 September 2017.

On 21 September 2017, SPASB filed its Notice of Appeal in respect of the court's decision on the 'Stay Application'. The first case management was done on 30 October 2017. The court fixed the next case management date on 27 November 2017.

On 24 October 2017, SPASB has served upon MAHB its second Letter of Demand under CIPAA 2012 for its payment claim. MAHB has responded to this via letter dated 7 November 2017.

On 21 November 2017, MAHB received another four claims from SPASB. MAHB has responded to these claims via letter dated 6 December 2017.

In respect of the Notice of Appeal, the hearing has been fixed on 30 March 2018. In respect of the payment claim, there has been no response to date to our reply letter dated 7 November 2017.

On 5 February 2018, MAHB has further received two payment claims from SPASB, each in the sum of RM1,800,000 and RM700,000 respectively. On 20 February 2018, MAHB has responded to the two payment claims dated 5 February 2018. On 20 February 2018, SPASB has served upon MAHB three payment claims amount to RM1,573,000, RM2,939,000 and RM317,000. On 26 February 2018, MAHB has been served with six Notice of Adjudication from SPASB in relation to their payment claims amount to RM4,572,000, RM1,100,000, RM1,200,000, RM677,000, RM284,000 and RM319,000.

(vi) Termination of contract between MAHB and SPAZ Sdn. Bhd. (SPAZ) for Proposed Development of Malaysia Airports Academy (MAA) due to the termination, compensation had to be made to the contractors.

MAHB had on 6 July 2017 received a claim made under the CIPAA 2012 from SPAZ's appointed solicitor for the amount of RM9,240,000 claimed by SPAZ against MAHB.

37. Financial guarantees and contingencies (contd.)

(b) Contingent liabilities (contd.)

(vi) On 20 July 2017, MAHB's solicitor had submitted the response to the payment claim, stating that MAHB denies that the amount under the alleged payment claim are due and payable to SPAZ by MAHB, SPAZ has yet to serve the Notice of Adjudication. Adjudicator has been appointed by Kuala Lumpur Regional Centre for Arbitration (KLRCA). Parties are in the midst of agreeing to the terms of appointment.

The adjudication decision was delivered on 26 December 2017 and SPAZ's claim was rejected. The Adjudicator made the following determination:

(a) MAHB shall pay to SPAZ the sum of RM3,600,000 as the adjudicated sum;

(b) The adjudicated sum shall be paid within 10 workings days from 26 December 2017;

(c) The rate of interest payable is the simple interest of 5% per annum on yearly rest from 2 August 2016 on the adjudicated sum until the full payment of the adjudicated sum; and

(d) MAHB shall bear the costs of RM61,000 being the cost of adjudication to SPAZ within 10 workings days from 26 December 2017.

MAHB has made the above payments on 5 January 2018.

38. Related party disclosures

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

	Group	
	2017 RM'000	2016 RM'000
Related party balances:		
Amounts owing by associated companies	1,857	1,577
Amounts owing to joint ventures	14,013	6,986
Amount owing to other related party	450	500
Related party transactions:		
Revenue:		
Associates:		
Lease rental		
- Kuala Lumpur Aviation Fuelling System Sdn. Bhd.	6,118	6,036
- MFMA Development Sdn. Bhd.	3,044	3,044
Concession fee		
- MFMA Development Sdn. Bhd.	568	568
Recoupment of water, electricity & sewerage		
- MFMA Development Sdn. Bhd.	6,263	5,933
Joint ventures:		
Lease rental		
- Segi Astana Sdn. Bhd.	1,273	1,273
- Airport Cooling Energy Supply Sdn. Bhd.	888	888

38. Related party disclosures (contd.)

	Group 2017 RM'000	Group 2016 RM'000
Related party transactions (contd.):		
Expenses:		
Joint ventures:		
Airport Cooling Energy Supply Sdn. Bhd.		
- Utilities (fixed)	32,125	32,125
- Utilities (variable)	14,404	14,371
- Less: Rebate	(4,414)	(3,233)
- Interest on concession payable	21,362	21,362
Segi Astana Sdn. Bhd.		
- Rental of shops and warehouse	447	1,421
- Water and electricity	46	133
- Car park	10	35
Other transactions:		
Joint ventures:		
Airport Cooling Energy Supply Sdn. Bhd.		
- Payment on concession payable	10,699	10,699
Other related party:		
Korn Ferry International (M) Sdn. Bhd.		
- Professional fees	815	635

38. Related party disclosures (contd.)

	Company	
	2017 RM'000	2016 RM'000
Other transactions:		
Subsidiaries:		
Malaysia Airports (Sepang) Sdn. Bhd.		
- Utilities charges	1,304	1,327
MAB Agriculture-Horticulture Sdn. Bhd.		
- Landscape services	400	386
Malaysia Airports (Niaga) Sdn. Bhd.		
- Catering services	911	581
K.L Airport Hotel Sdn. Bhd.		
- Event management	1,452	939
Urusan Teknologi Wawasan Sdn. Bhd.		
- Repair and maintenance of building	782	793
Malaysia Airports Consultancy Services Sdn. Bhd.		
- Consultancy service from subsidiary	83	-

38. Related party disclosures (contd.)

Compensation of key management personnel

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short-term employee benefits	15,205	15,268	12,183	11,636
Post-employment benefit:				
Defined contribution plans	2,352	2,394	1,890	1,854
	17,557	17,662	14,073	13,490

Remuneration of directors is as disclosed in Note 8.

39. Significant event during the year

On 31 October 2017, MAHB had incorporated a wholly-owned subsidiary, MA Elogistics. On 2 November 2017, MA Elogistics has entered into a Shareholders' Agreement (the SA) with Cainiao Smart Logistics Network (Hong Kong) Ltd. (Cainiao HK), to participate in a joint venture company under the name of Cainiao KLIA Aeropolis Sdn. Bhd. (JV Company) for the purpose of implementing and carrying out the development of a regional e-Commerce and logistics hub, comprising the development of cargo terminals, sorting centres, warehouses and fulfillment centres and other facilities for e-commerce industry, in the KLIA Aeropolis as part of the Digital Free Trade Zone (DFTZ) initiative in Malaysia. The issued share capital of the JV Company amounting to RM206,667,000 in which 30% is held by MA Elogistics and 70% for Cainiao HK.

40. Financial instruments

(a) Financial risk management objectives and policies

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

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

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

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

40. Financial instruments (contd.)

(b) Interest rate risk

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

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

	Note	WAEIR %	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000	Total RM'000
At 31 December 2017							
Group							
Loans and borrowings	31	3.77	423,258	210,637	2,175,302	2,740,089	5,549,286
Cash and cash equivalents	26	2.88	2,082,880	-	-	-	2,082,880
Company							
Loans and borrowings	31	4.51	250,000	-	1,000,000	2,100,000	3,350,000
Cash and cash equivalents	26	3.59	461,372	-	-	-	461,372
At 31 December 2016							
Group							
Loans and borrowings	31	3.72	193,638	568,137	2,718,005	2,100,000	5,579,780
Cash and cash equivalents	26	2.78	1,299,611	-	-	-	1,299,611
Company							
Loans and borrowings	31	4.51	-	250,000	1,000,000	2,100,000	3,350,000
Cash and cash equivalents	26	3.93	211,236	-	-	-	211,236

The average maturity of financial instruments at the reporting date is 58 days (2016: 22 days). The other financial instruments of the Group and of the Company that are not included in the above tables are not subject to interest rate risks.

40. **Financial instruments (contd.)**

(c) **Foreign currency risk**

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

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

	Net financial assets/(liabilities) held in non-functional currencies										
	United States Dollar RM'000	Great Britain Pound RM'000	Euro RM'000	Singapore Dollar RM'000	Switzerland Swiss Franc RM'000	China RMB RM'000	Hong Kong Dollar RM'000	Qatar Riyal RM'000	Australian Dollar RM'000	Indian Rupee INR RM'000	Total RM'000
Group											
At 31 December 2017											
Ringgit Malaysia	40,936	(138)	409	(1,206)	(324)	36	15	17,860	(125)	(161)	57,302
At 31 December 2016											
Ringgit Malaysia	46,679	2	889	798	20	60	-	20,260	(2)	-	68,706
Company											
At 31 December 2017											
Ringgit Malaysia	40,970	6,115	11,687	(851)	-	(24)	-	-	(125)	(161)	57,611
At 31 December 2016											
Ringgit Malaysia	46,634	6,198	11,824	(4)	-	-	-	-	(2)	-	64,650

40. Financial instruments (contd.)

(c) Foreign currency risk (contd.)

Sensitivity analysis for foreign currency risk

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

		Group	Company
		2017 RM'000 Profit, net of tax	2017 RM'000 Profit, net of tax
USD/RM	- strengthened 5%	2,047	2,048
	- weakened 5%	(2,047)	(2,048)
GBP/RM	- strengthened 5%	(7)	306
	- weakened 5%	7	(306)
EUR/RM	- strengthened 5%	20	585
	- weakened 5%	(20)	(585)
SGD/RM	- strengthened 5%	(60)	(42)
	- weakened 5%	60	42
RMB/RM	- strengthened 5%	2	(1)
	- weakened 5%	(2)	1
CHF/RM	- strengthened 5%	(16)	-
	- weakened 5%	16	-
QAR/RM	- strengthened 5%	893	-
	- weakened 5%	(893)	-
AUD/RM	- strengthened 5%	(6)	(6)
	- weakened 5%	6	6
INR/RM	- strengthened 5%	(8)	(8)
	- weakened 5%	8	8

40. Financial instruments (contd.)

(d) Liquidity risk

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

Analysis of financial instrument by remaining contractual maturities

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

	On demand within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
31 December 2017				
Financial liabilities:				
Trade and other payables	1,616,660	3,288,524	4,505,692	9,410,876
Loans and borrowings	494,726	3,701,405	2,124,764	6,320,895
Total undiscounted financial liabilities	2,111,386	6,989,929	6,630,456	15,731,771
31 December 2016				
Financial liabilities:				
Trade and other payables	1,422,956	3,468,937	4,935,706	9,827,599
Loans and borrowings	348,940	4,113,703	2,149,664	6,612,307
Total undiscounted financial liabilities	1,771,896	7,582,640	7,085,370	16,439,906

40. Financial instruments (contd.)

(d) Liquidity risk (contd.)

Analysis of financial instrument by remaining contractual maturities (contd.)

	On demand within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Company				
31 December 2017				
Financial liabilities:				
Other payables	314,613	-	-	314,613
Loans and borrowings	150,975	1,724,853	2,124,764	4,000,592
Total undiscounted financial liabilities	465,588	1,724,853	2,124,764	4,315,205
31 December 2016				
Financial liabilities:				
Other payables	218,171	-	-	218,171
Loans and borrowings	150,975	1,850,928	2,149,664	4,151,567
Total undiscounted financial liabilities	369,146	1,850,928	2,149,664	4,369,738

(e) Credit risk

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

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

40. Financial instruments (contd.)

(e) Credit risk (contd.)

Exposure to credit risk

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

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

The credit risk of the trade and other receivables are disclosed in Note 22. The Group's other financial assets, which comprise investments and cash and cash equivalents arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets as disclosed in Notes 22 and 26.

Credit risk concentration profile

At the reporting date, approximately 54% (2016: 49%) of the Group's trade receivables were due from six (2016: five) major customers who are reputable and located in Malaysia, Turkey and Qatar.

In addition, the Group's concentration of risk also includes the amount receivable from the GoM as disclosed in Note 22 and the Group minimises its credit risk by maintaining regular communication with the GoM.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 22. Deposits with banks and other financial institutions, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 22.

40. Financial instruments (contd.)

(f) Fair values

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

	Note
Trade and other receivables	22
Trade and other payables	34

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

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

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

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

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

(ii) Unit trusts, bonds and medium term notes

The fair value of unit trusts, bonds and medium notes is based on its market price.

41. Capital management

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

The Group actively manages its capital structure and makes adjustments to it in light of changes in, amongst others, its operating environment and economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 2016.

41. Capital management (contd.)

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

		Group	
	Note	2017 RM'000	2016 RM'000
Loans and borrowings	31	5,549,286	5,579,780
Equity attributable to the owners of the parent		9,009,157	8,694,857
Gearing ratio		62%	64%

42. Segment information

(a) Reporting format

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

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

Malaysia operations:

(i) Duty free and non-dutiable goods

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

(ii) Airport services

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

42. Segment information (contd.)

(a) Reporting format (contd.)

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

Malaysia operations: (contd.)

(iii) Agriculture and horticulture

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

(iv) Hotel

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

(v) Project and repair maintenance

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

Overseas operations:

(i) Airport services

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

(ii) Project and repair maintenance

To provide facilities maintenance services at Hamad International Airport.

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

(b) Allocation basis and transfer pricing

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

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

42. Segment information (contd.)

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

	Continuing operations												
	Malaysia Operations						Overseas Operations						
	Airport operations		Non-airport operations				Airport operations	Non-airport operations					
	Duty free and non-dutiable goods RM'000	Airport services RM'000	Agriculture and horticulture RM'000	Hotel RM'000	Project and repair maintenance RM'000	Others RM'000	Airport services RM'000	Project and repair maintenance RM'000	Consolidation adjustments RM'000	Notes	Total RM'000	Discontinued operation RM'000	Total operation RM'000
31 December 2017													
Revenue													
External sales													
Airport operations:													
Aeronautical	-	1,689,426	-	-	-	-	564,199	-	-		2,253,625	-	2,253,625
Non-aeronautical:													
Retail	853,679	-	-	-	-	-	-	-	-		853,679	-	853,679
Others	1,531	733,106	-	-	-	-	454,879	-	-		1,189,516	-	1,189,516
Construction	-	-	-	-	-	-	57,905	-	-		57,905	-	57,905
Non-airport operations	-	-	39,213	94,457	17,694	-	8,694	137,555	-		297,613	-	297,613
Inter-segment sales	1,119	272,142	6,430	1,828	71,235	-	73,139	-	(425,893)	A	-	-	-
Inter-segment dividends	-	-	-	-	-	254,000	-	-	(254,000)	A	-	-	-
Total revenue	856,329	2,694,674	45,643	96,285	88,929	254,000	1,158,816	137,555	(679,893)		4,652,338	-	4,652,338

42. Segment information (contd.)

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

	Continuing operations												
	Malaysia Operations						Overseas Operations						
	Airport operations		Non-airport operations				Airport operations	Non-airport operations					
	Duty free and non-dutiable goods RM'000	Airport services RM'000	Agriculture and horticulture RM'000	Hotel RM'000	Project and repair maintenance RM'000	Others RM'000	Airport services RM'000	Project and repair maintenance RM'000	Consolidation adjustments RM'000	Notes	Total RM'000	Discontinued operation RM'000	Total operation RM'000
31 December 2017 (contd.)													
Results													
Segment results	51,616	1,077,901	12,209	25,405	31,179	397,234	770,666	6,121	(461,462)	B	1,910,869	-	1,910,869
Depreciation and amortisation	(10,204)	(302,172)	(4,291)	(15,119)	(401)	(16,104)	(337,537)	(3,748)	(191,248)	C	(880,824)	-	(880,824)
Finance costs	14	(233,942)	7	5	(1)	(151,022)	(508,458)	-	177,212	D	(716,185)	-	(716,185)
Share of results of associates	-	5,801	-	-	-	-	-	-	-		5,801	-	5,801
Share of results of joint ventures	-	-	-	-	-	14,824	-	-	-		14,824	-	14,824
Profit/(loss) before tax	41,426	547,588	7,925	10,291	30,777	244,932	(75,329)	2,373	(475,498)		334,485	-	334,485
Taxation and zakat	(11,144)	(142,621)	(1,837)	(2,767)	(5,017)	(3,923)	24,711	(147)	45,358	C	(97,387)	-	(97,387)
Profit/(loss) for the year	30,282	404,967	6,088	7,524	25,760	241,009	(50,618)	2,226	(430,140)		237,098	-	237,098
Assets													
Segment assets	215,703	10,420,279	89,612	127,782	145,298	12,393,084	7,331,637	91,773	(8,740,943)	E	22,074,225	-	22,074,225
Additions to non-current assets	3,429	168,320	4,887	1,337	642	14,035	89,204	2,570	-		284,424	-	284,424
Investments in associates	-	44,963	-	-	-	-	-	-	-		44,963	-	44,963
Investments in joint ventures	-	-	-	-	-	92,031	-	-	-		92,031	-	92,031
Total assets	219,132	10,633,562	94,499	129,119	145,940	12,499,150	7,420,841	94,343	(8,740,943)		22,495,643	-	22,495,643
Liabilities													
Segment liabilities, representing total liabilities	149,344	6,416,496	21,169	36,409	55,036	5,949,442	8,559,426	88,912	(7,789,748)	F	13,486,486	-	13,486,486

42. Segment information (contd.)

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

	Continuing operations												
	Malaysia Operations						Overseas Operations						
	Airport operations		Non-airport operations				Airport operations	Non-airport operations					
	Duty free and non-dutiable goods RM'000	Airport services RM'000	Agriculture and horticulture RM'000	Hotel RM'000	Project and repair maintenance RM'000	Others RM'000	Airport services RM'000	Project and repair maintenance RM'000	Consolidation adjustments RM'000	Notes	Total RM'000	Discontinued operation RM'000	Total operation RM'000
31 December 2016													
Revenue													
External sales													
Airport operations:													
Aeronautical	-	1,563,879	-	-	-	-	498,706	-	-		2,062,585	-	2,062,585
Non-aeronautical:													
Retail	740,019	-	-	-	-	-	-	-	-		740,019	-	740,019
Others	917	659,161	-	-	-	-	450,142	-	-		1,110,220	-	1,110,220
Non-airport operations	-	-	34,341	82,884	18,098	-	9,955	114,666	-		259,944	-	259,944
Inter-segment sales	726	242,613	5,941	979	64,671	-	71,284	-	(386,214)	A	-	-	-
Inter-segment dividends	-	-	-	-	-	140,240	-	-	(140,240)	A	-	-	-
Total revenue	741,662	2,465,653	40,282	83,863	82,769	140,240	1,030,087	114,666	(526,454)		4,172,768	-	4,172,768

42. Segment information (contd.)

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

	Continuing operations												
	Malaysia Operations						Overseas Operations						
	Airport operations		Non-airport operations				Airport operations	Non-airport operations					
	Duty free and non-dutiable goods RM'000	Airport services RM'000	Agriculture and horticulture RM'000	Hotel RM'000	Project and repair maintenance RM'000	Others RM'000	Airport services RM'000	Project and repair maintenance RM'000	Consolidation adjustments RM'000	Notes	Total RM'000	Discontinued operation RM'000	Total operation RM'000
31 December 2016 (contd.)													
Results													
Segment results	36,635	909,536	9,918	17,450	38,502	365,812	710,939	(9,144)	(369,739)	B	1,709,909	-	1,709,909
Depreciation and amortisation	(11,104)	(288,196)	(4,086)	(15,975)	(385)	(15,892)	(308,576)	(4,551)	(203,775)	C	(852,540)	-	(852,540)
Finance costs	21	(256,998)	(6)	(82)	74	(157,891)	(459,110)	-	184,223	D	(689,769)	-	(689,769)
Share of results of associates	-	1,676	-	-	-	-	-	-	-		1,676	-	1,676
Share of results of joint ventures	-	-	-	-	-	14,055	-	-	-		14,055	-	14,055
Profit/(loss) before tax	25,552	366,018	5,826	1,393	38,191	206,084	(56,747)	(13,695)	(389,291)		183,331	-	183,331
Taxation and zakat	(6,687)	(78,273)	(327)	(811)	(4,471)	2,598	(66,257)	-	44,071	C	(110,157)	-	(110,157)
Profit/(loss) for the year	18,865	287,745	5,499	582	33,720	208,682	(123,004)	(13,695)	(345,220)		73,174	-	73,174
Assets													
Segment assets	240,573	10,437,792	84,234	142,667	102,940	11,981,849	6,507,923	83,733	(8,655,403)	E	20,926,308	151	20,926,459
Additions to non-current assets	2,119	159,046	6,296	5,996	257	23,215	33,807	12,484	-		243,220	-	243,220
Investments in associates	-	36,161	-	-	-	-	-	-	-		36,161	-	36,161
Investments in joint ventures	-	-	-	-	-	82,720	-	-	-		82,720	-	82,720
Total assets	242,692	10,632,999	90,530	148,663	103,197	12,087,784	6,541,730	96,217	(8,655,403)		21,288,409	151	21,288,560
Liabilities													
Segment liabilities, representing total liabilities	204,624	6,561,118	19,287	63,476	45,950	5,785,809	7,704,801	72,480	(7,865,892)	F	12,591,653	19	12,591,672

42. Segment information (contd.)

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

(A) Inter-segment sales and dividends are eliminated on consolidation.

(B) Segment results from continuing operations is derived after deducting mainly inter-segment dividend and intercompanies finance charges.

(C) Fair value adjustments in relation to the Purchase Price Allocation exercise on the acquisition of subsidiaries.

(D) Inter-segment interest and fair value adjustments in relation to the Purchase Price Allocation exercise on the acquisition of subsidiaries.

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

	2017 RM'000	2016 RM'000
Investment in subsidiaries	(1,886,883)	(1,886,883)
Inter-segment assets	(6,854,060)	(6,768,520)
	(8,740,943)	(8,655,403)

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

	2017 RM'000	2016 RM'000
Inter-segment liabilities	7,789,748	7,865,892