ENTERTAINMENTS

DREAMS WITHOUT BOUNDARIES

DXB Entertainments PJSC and its Subsidiaries

Consolidated Financial Statements

31 December 2020

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DXB Entertainments PJSC and its Subsidiaries
Consolidated Financial Statements
31 December 2020

Contents	**Pages**

Directors' Report
For the year ended 31 December 2020

On behalf of the Board of Directors of DXB Entertainments PJSC (the "Company") and its subsidiaries (collectively the "Group"), we are pleased to present the sixth annual Board report which covers the financial results for the year ended 31 December 2020 (the "period").

As part of the UAE's Government efforts to curb the spread of the COVID-19 pandemic, the Company temporarily ceased operations for a period of approximately six months, from 15th March to 23rd September 2020, when the operations partially reopened under the new social distancing and health and safety guidelines. Severe disruptions in global trade and tourism, and the city-wide lockdowns globally and locally, significantly impacted the Company's operations and financial performance for the year 2020.

The Group implemented a contingency plan to mitigate the impact of the Covid-19 pandemic on the business, to preserve cash and enhance liquidity during the period. Cost saving initiatives, including employee furloughs and supplier cost reductions, have partially offset the impact of the significant fall in revenue.

Conditional cash acquisition offer and Board recommendation

On 20 December 2020, the Group received a conditional cash offer to acquire 100% of the issued and paid up ordinary shares of DXBE (the "Offer") from Meraas Leisure and Entertainment LLC ('the Parent Company' or 'Meraas') with the intention to:

- Acquire the remaining shares in DXBE by offering AED 0.08 in cash for each remaining share;
- Convert the balance of the existing convertible bond instrument issued to Meraas and Meraas Holding LLC by DXBE in 2018 into new shares in DXBE at the contractual conversion price of AED 1.04 per share;
- Acquire the senior bank debt (owed to certain commercial lenders) of DXBE, with an outstanding balance (as at 31 December 2020 including the amount of principal and accrued interest outstanding) estimated at approximately AED 4,255 million, and subsequently convert such Senior Bank Debt into new shares of DXBE at a conversion price of AED 0.08 per share (the "Bank Debt Conversion"); and
- Following the successful completion of the above, Meraas intends to procure the delisting of DXBE shares from the Dubai Financial Markets PJSC ("DFM").

The above Offer is subject to certain terms and conditions as disclosed in the announcement to the market. The Board, having evaluated the inputs received from its independent financial and legal advisors as to the terms of the Offer, in conjunction with the Company's current cash position and liabilities, and near term general economic conditions, considers the terms of the Offer to be fair and reasonable. Therefore, the Board has unanimously recommended to DXBE's shareholders to accept the Offer, attend the general assembly meeting on 9 March 2021 and vote in favour of the resolutions required to implement the Offer.

Meraas and Meraas Holding LLC has served an irrevocable notice to the Board of Directors on 31 January 2021 to convert the convertible bond instrument into new shares in DXBE at the conversion price of AED 1.04 per share. The conversion is expected to take place on 28 February 2021.

Accumulated Losses

As the accumulated losses of the Group at AED 7,815 million (2019: AED 5,157 million) exceed half of its issued share capital (currently at 98%), in accordance with article 302 of the UAE Federal Law No. 2 of 2015, the Board of Directors will convene a general assembly meeting of the Company on 9 March 2021, to vote on a resolution for the continuation or the dissolution and liquidation of the Company.

As at 31 December 2020, the Company's net asset value per share is AED 0.0277.

General Assembly Resolutions

General Assembly meeting of the Company will be convened on 9 March 2021 for shareholders to consider and, if thought fit, vote in favour of the resolutions required to implement the Offer received from Meraas

- Should the shareholders vote to approve the resolutions required to implement the Offer, to treat the Offer Resolutions as the continuation plan; and to approve the continuation of the Company as a going concern on the basis of the Offer being implemented; or

- Should the shareholders vote not to approve the resolutions required to implement the Offer, to approve the dissolution and liquidation of the Company and set a date for a meeting of the General Assembly to approve the Company's liquidation plan and schedule approved by the Company's Board of Directors and its financial advisor.

Directors' Report (continued)
For the year ended 31 December 2020

Operational & Financial Overview

Total theme park visitation during the year was 802,121, lower by 69% compared to the previous year, while international visitation which accounted for 36% of the total visitation, declined 7% year on year. The occupancy rate of Lapita Hotel was 36% with an ADR of AED 409 for the year 2020, compared to an occupancy rate of 62% and an ADR of AED 535 in 2019.

The Group reported revenue of AED 144 million for the year ended 31 December 2020, lower than the AED 491 million in 2019. Theme parks remained the highest contributor to total revenues, with AED 97 million reported in 2020, followed by Lapita and Riverland revenues of AED 38 million and AED 7 million respectively.

Operating costs declined 49% to AED 285 million in 2020 compared to the previous year, driven by temporary cost mitigation measures while the destination was closed, as well as from the impact of the cost efficiency plan implemented in 2019. Management will continue to focus on identifying and implementing further operating cost savings progressing into 2021 while keeping guest experience a priority.

EBITDA loss for the year was AED 155 million, up by AED 49 million or 46%, when compared to 2019 which included a one-off recovery of rental and other related charges of AED 41 million from a settlement agreement reached with a multiple unit tenant. Adjusted for non-recurring items, adjusted EBITDA loss widened to AED 161 million up by 8%, compared to previous year.

Loss for the year ended 31 December 2020 was AED 2.7 billion, compared with AED 855 million in 2019. Loss for the year includes AED 1.7 billion of impairment losses on property and equipment, AED 346 million of non-cash depreciation and AED 117 million of non-cash interest on the Company's convertible instrument. Finance costs -net for the year were AED 410 million.

Total assets at the end of 2020 were AED 7.2 billion, primarily comprising AED 6.4 billion in property and equipment, inventories and trade and other receivables and AED 0.8 billion in cash and other financial assets. Our Phase 1 syndicated bank facility of AED 4.2 billion and our AED 1.2 billion convertible bond from Meraas are fully drawn.

Liquidity overview

As at 31 December 2020, the Group had cash balances including other financial assets of AED 0.8 billion of which AED 0.1 billion is restricted or ringfenced cash, mainly related to our debt service reserve account and AED 0.3 billion is related to the settlement of construction related costs associated with the Six Flags project and the ongoing enhancement program. As a result, the Group has AED 0.4 billion of available cash balances.

The Group currently has AED 0.3 billion of remaining liabilities from its phase 1 construction stage, for which management continues to negotiate long-term settlement agreements ranging over a period of up to four years, with available cash being prioritised for operational cash purposes as determined by the management and the Directors during 2020.

In 2020, as part of the further debt amendment discussions amid the pandemic and efforts to maintain adequate liquidity, the Group reached an agreement with the term loan facility syndicate where cash settled interest was reduced to 1% for the 15 month period ended 30 June 2021 with the differential interest continued to be accrued on a non-compounded basis and to be settled on 30 June 2021. In addition USD denominated borrowing were converted to AED denominated borrowing reducing the annual fixed interest cost by 35 basis points. Estimated interest payments of AED 250 million are due for the year 2021.

Further, the Company's moratorium period on principal repayments and covenant testing ends in Q1 2021, with AED 213 million of principal repayments due over the course of the full year 2021. Should the total debt service payments be required, the Group's current available liquidity is likely to be exhausted by June 2021.

Accumulated Loss Addressing Plan 2020

In 2019, the Board of Directors had appointed an implementation committee to formulate and monitor the Company's accumulated loss addressing plan ("the Plan") as required by Securities and Commodities Authority ("SCA") regarding procedures for companies with accumulated losses of 20% or more of their share capital.

Directors' Report (continued)
For the year ended 31 December 2020

Accumulated Loss Addressing Plan 2020 (continued)

While significant progress was made in 2020 towards the plan with the implementation of the cost efficiency program and revised pricing strategy, further progress was delayed by the impact of COVID-19 in 2020. The Board of Directors and Management remain committed to delivering EBITDA break-even and the following are expected to be key drivers:

- Launching Legoland Hotel, first of its kind in the region, enabling increased dwell times and per-cap spend as well as attracting international family vacation tourists
- Complete the enhancement plan at MOTIONGATE™ Dubai and Bollywood Parks™, broadening the demographic appeal of the destination, increase per-cap, drive higher international visitation and encourage repeat visitation from domestic visitors
- Continue to identify and implement further cost saving opportunities to improve liquidity and positively impact bottom-line

Going Concern

The Group incurred a net loss for the year of AED 2,658 million (2019: AED 855 million), had negative operating cash flows of AED 198 million (2019: AED 104 million) for the year ended 31 December 2020 and had outstanding bank facilities of AED 4,158 million (2019: AED 4,158 million) as at that date. The Group is currently in a moratorium period for principal repayments and covenant testing in relation to its bank facilities. The principal repayments and covenant testing thereon will re-commence in March 2021 with AED 213 million of principal due in the year 2021. During the year, the syndicated term loan financiers ("financiers") agreed for the Group to settle their interest payments at 1% for the 15 month period ending 30 June 2021, with the remaining interest for the aforementioned period, to continue to be accrued on a non-compounding basis and due to be settled on 30 June 2021. As at 31 December 2020 the accrued interest amounted to AED 97 million with AED 153 million additional estimated interest due in 2021.

Due to the uncertainty created by COVID-19 and the impact on travel restrictions and / or demand, both the base case and downside scenarios could be exacerbated as a result of a significant reduction in the liquidity during this assessment period. However, management continue to believe that it remains appropriate to prepare the financial statements on a going concern basis as the Offer from the Parent Company is highly probable of being accepted by the shareholders. For further details see Note 3 to the consolidated financial statements.

Looking Ahead

Heading into 2021, the successful completion of the enhancement plan for MOTIONGATE™ Dubai and Bollywood Parks™ Dubai and the opening of Legoland Hotel remain management's primary focus, in addition to continuing to further drive cost efficiency measures while growing visitation with an emphasis on the international segment as global travel and tourism recovers from the impact of COVID-19.

Finally, we would like to take this opportunity to thank our employees, operators, financing partners, our shareholders as well as the Government of Dubai and the UAE Federal Authorities for their continued support.

Abdulwahab Al Halabi
Chairman

Remi Ishak
Acting Chief Executive Officer
and Chief Financial Officer

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

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of DXB Entertainments PJSC (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:
- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

Material uncertainty relating to going concern

We draw attention to note 3 to the consolidated financial statements, which indicates that the Group incurred a loss of AED 2,658 million and had negative operating cash flows of AED 198 million for the year ended 31 December 2020 with accumulated losses of AED 7,815 million as at 31 December 2020. Further, the moratorium on principal repayments and covenant testing provided by the syndicated term loan financiers ("financiers") to the Group on the outstanding bank facilities of AED 4,158 million is due to expire in March 2021, in addition to certain interest payments which have been deferred until June 2021. Principal repayments of AED 213 million and estimated interest payments of AED 250 million are due during 2021.

During December 2020, the Group received a conditional offer from its Parent Company to acquire 100% of the Company's issued and paid up ordinary shares, with the intention of converting the existing convertible bond instrument with a carrying value of AED 1,480 million (including the equity component), acquiring the outstanding bank facilities of AED 4,255 million (including interest) to be converted into new share capital and acquiring the remaining shares in the Company (the "Offer").

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

Material uncertainty relating to going concern (continued)

In assessing the appropriateness of applying the going concern basis in the preparation of the consolidated financial statements, the management has considered a base case scenario, which primarily depends on the shareholders voting in favour of the Offer in the General Assembly which is due to be held on 9 March 2021. Management has also assessed the downside scenario should the Offer not be voted favourably by the shareholders as outlined in note 3 to the consolidated financial statements.

In respect of the base case scenario, the management believe that it is highly probable that the shareholders will accept the Offer from the Parent Company, as recommended by the Board of Directors. In this event, the Group would have sufficient liquidity for the 13-month going concern period assessed from the date of approval of these consolidated financial statements. This scenario is highly dependent on the outcome of the shareholders' vote during the General Assembly.

Should the Offer not be approved by the shareholders, they will then vote on the proposed resolutions of the Board of Directors to approve the dissolution and liquidation of the Company in accordance with the Article 302 of the UAE Federal Law No. 2 of 2015. Whilst this scenario is highly dependent on the shareholders' actions, the management believe this scenario to be unlikely. As further set out in Note 3, in assessing this downside scenario, the following options, amongst others, have been considered:

a) on expiry of the moratorium on the bank facilities, it is uncertain whether the restructuring discussions with the financiers, which have been on hold, would have a favourable outcome of securing sufficient liquidity for the 13-month going concern period assessed, when resumed. Management has assessed that the financiers continuing to support the restructuring is unlikely.

b) on expiry of the moratorium on the bank facilities, in the event the financiers do not support the restructuring, the Group and the Parent Company, being the guarantor of the bank facilities, may be called upon by the financiers to fulfil the Group's repayment obligations. The Group's liquidity would then be exhausted by June 2021. If required to step in, it is uncertain whether the Parent Company will agree to favourable repayment terms to allow the Group to preserve its cash position for at least 12 months from the date of approval of these consolidated financial statements. Management has assessed that the likelihood of the Parent Company agreeing to favourable terms is unlikely.

These events and conditions along with other matters as disclosed in note 3 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements do not include the adjustments that would be necessary if the Group were unable to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

Overview

Key Audit Matters	• Carrying value of property and equipment

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

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

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

Our audit approach (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Material uncertainty relating to going concern* section above, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Carrying value of property and equipment The Group has AED 6.2 billion of property and equipment which is the most significant balance in the consolidated statement of financial position of the Group as at 31 December 2020. The Group performed an impairment assessment of property and equipment as at 31 December 2020 to determine the recoverable amount, being the higher of fair value less costs to sell and value in use. Based on the impairment assessment performed, an impairment loss of AED 1.7 billion has been recognised for the year ended 31 December 2020. In the impairment assessment, the operating assets (comprising the four theme parks, hotel and retail properties) within the property and equipment, are all considered as one cash generating unit ("CGU") for which the recoverable amount has been determined internally by management using a value in use approach. We considered this to be a key audit matter as the evaluation of the recoverable amount of the CGU requires significant estimation and critical management judgement in determining the key assumptions that support the expected future cash flows of the business and the utilisation of these assets. The key assumptions include expected visitation, admission revenues per visit, long-term growth rate and discount rate. There is inherent estimation uncertainty in the impairment assessment which is dependent on the achievement of the targets as envisaged in the business plan. This is further impacted by the effects of the COVID-19 pandemic on the operations and financial performance of the Group. A sensitivity analysis has been performed and disclosed by management to highlight the impact on the impairment assessment that arises from potential changes in key assumptions and estimates. Refer to notes 5 and 6 to the consolidated financial statements.	We obtained the impairment assessment carried out by management that was prepared on the basis of the Board approved business plan and carried out the following substantive audit procedures: • Evaluated whether the methodology used by management to calculate the recoverable amount for the CGU complies with IAS 36, 'Impairment of Assets'; • Assessed the appropriateness of the identification of the CGU for which the impairment assessment has been performed; • Tested the mathematical accuracy of the calculations included within management's impairment assessment; • Assessed the reasonableness of the certain underlying key assumptions used within the impairment assessment; • Engaged our internal valuation experts to assess certain underlying assumptions used by management in estimating future cash flows to determine whether these are reasonable and supportable; • Assessed the competence, capabilities and objectivity of the external expert engaged by management to assist in calculating the discount rate; • Involved our internal valuation experts in discussing the reasonableness of the discount rate with management and its expert; • Reviewed the sensitivity analysis performed by management around the key assumptions used in the impairment assessment which provides the impact on the impairment assessment that arises from potential changes in key assumptions and estimates; and • Assessed the adequacy of the disclosures in notes 5 and 6 to the consolidated financial statements.

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

Other information

The Board of Directors and management are responsible for the other information. The other information comprises the Directors' Report and Corporate Governance Report (but does not include the consolidated financial statements and our auditor's report thereon).

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

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

If, based on the work we have performed, 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.

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that for the year ended 31 December 2020:

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

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

iii) the Group has maintained proper books of account;

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

v) as disclosed in note 1 to the consolidated financial statements, the Group has not purchased or invested in shares during the year ended 31 December 2020;

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

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Memorandum and Articles of Association, which would materially affect its activities or its financial position as at 31 December 2020.

As detailed in note 3 to the consolidated financial statements, the accumulated losses of the Group as at 31 December 2020 exceeded 50% of the issued share capital and in accordance with the provisions of Article 302 of the UAE Federal Law No. 2 of 2015, the Board of Directors has invited the shareholders to convene a General Assembly on 9 March 2021 to vote on a resolution regarding the continuation or the dissolution and liquidation of the Company. The General Assembly had previously passed a resolution on 24 March 2020 for continuation of the Company.

PricewaterhouseCoopers
9 February 2021

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

Consolidated statement of financial position at 31 December 2020

	Notes	2020 AED'000	2019 AED'000
ASSETS			
Non-current assets			
Property and equipment	6	**6,249,584**	8,239,942
Equity accounted investee	7	**48,057**	52,926
		6,297,641	8,292,868
Current assets			
Due from related parties	9	**13,984**	20,047
Trade and other receivables	10	**97,945**	100,979
Inventories	8	**22,157**	22,088
Derivative financial instruments	11	**-**	6,799
Other financial assets	12	**116,792**	266,130
Cash and cash equivalents	13	**651,231**	933,997
		902,109	1,350,040
Total assets		**7,199,750**	9,642,908
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**7,999,913**	7,999,913
Convertible bond - equity component	15	**65,717**	65,717
Cash flow hedging reserve	11	**(28,852)**	937
Accumulated losses		**(7,815,341)**	(5,157,398)
Total equity		**221,437**	2,909,169
Liabilities			
Non-current liabilities			
Convertible bond - liability component	15	**1,414,307**	1,297,124
Bank facilities	16	**3,771,447**	3,969,717
Trade and other payables	17	**60,761**	91,990
Lease liabilities	27(b)	**425,052**	406,394
Provisions	18	**45,382**	45,527
Due to related parties	9	**60,035**	57,526
		5,776,984	5,868,278
Current liabilities			
Trade and other payables	17	**933,512**	833,315
Bank facilities	16	**213,248**	-
Lease liabilities	27(b)	**26,678**	26,284
Derivative financial instruments	11	**27,891**	5,862
		1,201,329	865,461
Total liabilities		**6,978,313**	6,733,739
Total equity and liabilities		**7,199,750**	9,642,908

To the best of our knowledge, the consolidated financial statements fairly present, in all material respects, the consolidated financial position, results of operation and consolidated cash flows of the Group as of, and for, the year ended 31 December 2020.

Abdulwahab Al-Halabi
Chairman

Remi Ishak
Acting Chief Executive Officer
and Chief Financial Officer

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

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020

	Notes	2020 AED'000	2019 AED'000
Revenue	19	**144,389**	491,198
Salaries, depreciation and other expenses	20	**(616,809)**	(881,619)
Other direct costs	21	**(15,789)**	(45,126)
Marketing and selling expenses		**(13,277)**	(57,837)
Impairment losses on property and equipment	6	**(1,747,865)**	-
Finance costs	22	**(421,361)**	(414,018)
Finance income	23	**11,813**	49,286
Other income – net	24	**5,825**	4,304
Share of loss of equity accounted investee	7	**(4,869)**	(742)
Loss for the year		**(2,657,943)**	(854,554)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedge – loss on fair value		**(51,428)**	(70,228)
Cash flow hedging losses on fair value reclassified to profit or loss	11	**21,639**	-
Total comprehensive loss for the year		**(2,687,732)**	(924,782)
Loss per share:			
Basic and diluted loss per share (AED)	25	**(0.332)**	(0.107)

Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)	26	**(160,819)**	**(149,397)**

Consolidated statement of changes in equity for the year ended 31 December 2020

	Share capital AED'000	Convertible bond – equity component AED'000	Cash flow hedging reserve AED'000	Accumulated losses AED'000	Total AED'000
As at 1 January 2019	7,999,913	65,717	71,165	(4,312,151)	3,824,644
Loss for the year	-	-	-	*(854,554)*	*(854,554)*
Other comprehensive loss for the year					
Cash flow hedge – loss on fair value	-	-	*(70,228)*	-	*(70,228)*
Total comprehensive loss for the year	-	-	(70,228)	(854,554)	(924,782)
Transaction with a shareholder (Note 9)	-	-	-	9,307	9,307
As at 31 December 2019	**7,999,913**	**65,717**	**937**	**(5,157,398)**	**2,909,169**
Loss for the year	-	-	-	*(2,657,943)*	*(2,657,943)*
Other comprehensive loss for the year					
Cash flow hedge – loss on fair value	-	-	*(51,428)*	-	*(51,428)*
Cash flow hedging losses on fair value reclassified to profit or loss	-	-	*21,639*	-	*21,639*
Total comprehensive loss for the year	-	-	(29,789)	(2,657,943)	(2,687,732)
As at 31 December 2020	**7,999,913**	**65,717**	**(28,852)**	**(7,815,341)**	**221,437**

Consolidated statement of cash flows for the year ended 31 December 2020

	2020 AED'000	2019 AED'000
Cash flows from operating activities		
Loss for the year	**(2,657,943)**	(854,554)
Adjustments for:		
Depreciation of property and equipment	**345,536**	383,489
Impairment losses on property and equipment	**1,747,865**	-
Finance costs	**421,361**	414,018
Finance income	**(11,813)**	(49,286)
Gain on bank facilities term modification	**(14,961)**	-
Impairment of trade receivables - net	**1,274**	12,002
Provision / (reversal) for slow-moving inventory - net	**26**	(759)
Provision for employees' end-of-service benefits	**2,861**	4,605
Share of loss of equity accounted investee	**4,869**	742
Write-off of property and equipment	**4,592**	-
Write-off of related party balances	**9,452**	-
Gain on disposal of property and equipment	**(176)**	(1,140)
Operating cash flows before changes in working capital	**(147,057)**	(90,883)
Decrease in trade and other receivables (excluding advances to contractors)	**3,957**	42,453
(Increase) / decrease in inventories	**(95)**	1,913
Decrease in trade and other payables (excluding project accruals, advances to contractors and retentions payable)	**(51,111)**	(53,103)
Movement in due from / to related parties	**(880)**	(1,067)
Cash used in operating activities	**(195,186)**	(100,687)
Employees' end-of-service benefits paid	**(2,764)**	(3,007)
Net cash used in operations	**(197,950)**	(103,694)
Cash flows from investing activities		
Property and equipment, net of project accruals, advances to contractors and retentions payable	**(115,256)**	(237,066)
Interest received	**12,317**	25,586
Provision utilisation	**(242)**	(33,533)
Decrease in other financial assets	**149,338**	463,479
Proceeds from sale of property and equipment	**310**	1,189
Net cash generated from investing activities	**46,467**	219,655
Cash flows from financing activities		
Payment for finance costs	**(99,312)**	(225,890)
Settlement of derivatives	**(22,967)**	-
Payment for finance leases	**(9,004)**	(9,075)
Net cash used in financing activities	**(131,283)**	(234,965)
Net decrease in cash and cash equivalents	**(282,766)**	(119,004)
Cash and cash equivalents at the beginning of the year (Note 13)	**933,997**	1,053,001
Cash and cash equivalents at the end of the year (Note 13)	**651,231**	933,997

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

Notes to the consolidated financial statements for the year ended 31 December 2020

1. General information

DXB Entertainments PJSC (the "Company" or "DXBE") was originally formed as a limited liability company with commercial license number - 673692 and was incorporated on 11 July 2012. On 9 December 2014, approval from the Ministry of Economy was obtained and the Company was converted to a Public Joint Stock Company ("PJSC") in accordance with UAE Federal Commercial Companies Law No. 8 of 1984, as replaced by UAE Federal Law No. 2 of 2015 (as amended by UAE Federal Law No.26 of 2020) ("Companies Law").

The Company is a subsidiary of Meraas Leisure and Entertainment LLC (the "Parent Company") and ultimately owned by Dubai Holding LLC (the "Ultimate Parent Company").

The registered address of the Company is P.O. Box 33772, Dubai, United Arab Emirates ("UAE").

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

The existence of COVID-19 was confirmed in early 2020 and was subsequently declared a pandemic by the World Health Organisation resulting in global travel restrictions and lockdown measures in most countries of the world including the United Arab Emirates. The Group had temporarily ceased operations from 15 March 2020 as mandated by the UAE Government amid the COVID-19 pandemic and commenced resuming operations in a phased manner effective 23 September 2020. Consequently, the results for the year ended 31 December 2020 were significantly impacted by the outbreak and escalation of COVID-19.

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

The Group has not purchased or invested in any shares during the year ended 31 December 2020. The consolidated financial statements include the following subsidiaries:

Name of subsidiary	Place of Incorporation	Date of incorporation	Percentage of ownership Legal	Percentage of ownership Beneficial	Principal Activity
Motiongate (LLC)	Dubai, UAE	18 March 2013	99%	100%	Theme park development
Mgate Operations (LLC)*	Dubai, UAE	8 April 2013	100%	100%	Amusement park
Dubai Parks Destination Management (LLC)	Dubai, UAE	25 August 2014	99%	100%	Ticket selling / marketing management
Bollywood Parks (LLC)	Dubai, UAE	25 August 2014	99%	100%	Theme park development
Dubai Parks Hotel (LLC)	Dubai, UAE	25 August 2014	99%	100%	Hotel
River Park (LLC)	Dubai, UAE	25 August 2014	99%	100%	Leasing & management of self-owned property
LL Dubai Theme Park (LLC)	Dubai, UAE	7 September 2014	99%	100%	Theme park development
LL Dubai Operations (LLC)**	Dubai, UAE	14 October 2014	100%	100%	Amusement park
BWP Operations (LLC)***	Dubai, UAE	25 March 2015	100%	100%	Amusement park
SF Dubai (LLC)	Dubai, UAE	21 May 2015	99%	100%	Theme park development
Do Trips (LLC)****	Dubai, UAE	29 May 2016	100%	100%	Travel agent
DXB Project & Management Services (LLC)	Dubai, UAE	5 April 2016	99%	100%	Project management services

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

UAE Federal Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Group is in the process of reviewing the new provisions and will assess the impact in no later than one year from the date on which the amendments came into effect.

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

2.1 New and revised IFRSs applied with material effect on the consolidated financial statements

There were no new and revised IFRSs applied by the Group during the year ended 31 December 2020 which had a material effect on the consolidated financial statements.

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these consolidated financial statements during the year ended 31 December 2020:

- The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which uses a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarifies when information is material and incorporates some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:

    - that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
    - the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

- The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

- The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

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

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

The amendments listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.3 New and revised IFRSs in issue but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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

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

- The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

- The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

- Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date

- The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

3. Summary of significant accounting policies

Statement of compliance

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

Basis of preparation

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

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

The consolidated financial statements of the Group are presented in Arab Emirates Dirham (AED) and all values are rounded to the nearest thousand Dirhams, except when otherwise indicated. The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

Going concern

The Group incurred a loss for the year of AED 2,658 million (2019: AED 855 million), had negative operating cash flows of AED 198 million (2019: AED 104 million) for the year ended 31 December 2020 and had outstanding bank facilities of AED 4,158 million (2019: AED 4,158 million) as at that date. The Group is currently in a moratorium period for principal repayments and covenant testing in relation to its bank facilities. The principal repayments and covenant testing thereon will re-commence in March 2021 with AED 213 million of principal due in the year 2021. During the year, the syndicated term loan financiers ("financiers") agreed for the Group to settle their interest payments at 1% per annum for the 15 month period ending 30 June 2021, with the remaining interest for the aforementioned period, to continue to be accrued on a non-compounding basis and due to be settled on 30 June 2021. As at 31 December 2020 the accrued interest amounted to AED 97 million with AED 153 million additional estimated interest due in 2021.

3. Summary of significant accounting policies (continued)

Going concern (continued)

As the accumulated losses of the Group at AED 7,815 million (2019: AED 5,157 million) exceed half of its issued share capital (currently at 98%), in accordance with article 302 of the UAE Federal Law No. 2 of 2015, the Board of Directors has invited the shareholders to convene a General Assembly of the Company on 9 March 2021, to vote on a resolution for the continuation or the dissolution and liquidation of the Company.

On 20 December 2020, the Group received a conditional cash offer from the Parent Company to acquire 100% of the issued and paid up ordinary shares of DXBE (the "Offer") with the intention to:

- convert the balance of the existing convertible bond instrument issued (including the equity component) to the Parent Company and Meraas Holding LLC of AED 1,480 million and its affiliates by DXBE in 2018 into new shares in DXBE at the contractual conversion price of AED 1.04 per share;
- acquire the bank facilities (owed to certain commercial lenders) of DXBE, with an outstanding balance (as at 31 December 2020 including the amount of principal and accrued interest outstanding) of AED 4,255 million, and subsequently convert such bank facilities into new shares of DXBE at a conversion price of AED 0.08 per share (the "Bank Debt Conversion"); and
- acquire the remaining shares in DXBE by offering AED 0.08 in cash for each remaining share.

The Parent Company and Meraas Holding LLC have served an irrevocable notice to the Board of Directors on 31 January 2021 to convert the convertible bond instrument into new shares in DXBE at the conversion price of AED 1.04 per share. The conversion is expected to take place on 28 February 2021.

The above offer is subject to certain terms and conditions as disclosed in the announcement to the market and has been evaluated by the Board of Directors in conjunction with the appointed legal and financial advisors and a recommendation to accept the Offer has been made to the shareholders and will be voted in the General Assembly of the Company to be convened on 9 March 2021. The Board of Directors has also proposed the following conditional resolutions under the Article 302 of the UAE Federal Law No. 2 of 2015 for shareholders' considerations, to be voted at the same General Assembly meeting:

- Should the shareholders vote to approve the resolutions required to implement the Offer, to treat the Offer Resolutions as the continuation plan; and to approve the continuation of the Company as a going concern on the basis of the Offer being implemented; or

- Should the shareholders vote not to approve the resolutions required to implement the Offer, to approve the dissolution and liquidation of the Company and set a date for a meeting of the General Assembly to approve the Company's liquidation plan and schedule approved by the Company's Board of Directors and its financial advisor.

In assessing the appropriateness of applying the going concern basis in the preparation of these consolidated financial statements, the Board of Directors has considered the Group's liquidity and forecast cash flows, taking into account reasonably possible outcomes over a 13-month period from the approval of these consolidated financial statements. The forecast cash flows cover a range of potential outcomes, primarily depending on the shareholders' vote on the Offer and the support of the financiers of the existing bank facilities, which forms the basis of the following scenarios:

<u>Base case scenario:</u>

Management believe the offer from the Parent Company and subsequent notice for the conversion of the existing convertible bond instrument, to be strong indicators of its support of the Group and that it is highly probable that the shareholders will accept this Offer at the General Assembly to be convened on 9 March 2021 to vote on the Offer as it is recommended by the Board as a fair and reasonable offer.

Management has prepared cashflow forecasts for a period of 13 months (the "assessment period") from the date of approval of these consolidated financial statements which shows sufficient liquidity after this assessment period and which considers:

- that the principal and interest repayments due under the existing bank facilities will either be deferred or assumed by the Parent Company as part of the Offer.
- The full year impact of savings from cost optimisation measures introduced by the Group as part of an efficiency plan mandated by the Board of Directors during 2020, implementation of additional temporary cost reduction and tight working capital management;
- Utilisation of residual cash from the development stage of Dubai Parks and Resorts and negotiation of long-term payment plans for outstanding development commitments; and
- Utilisation of residual cash following shareholder approval for the remaining proceeds from the rights issue.

3. Summary of significant accounting policies (continued)

Going concern (continued)

Assessed downside scenarios:

Management assessed the unlikely scenario that the shareholders will not accept the Offer and instead, vote to approve the dissolution and liquidation of the Company as proposed under the Board of Directors' conditional resolutions referred to above at the General Assembly to be convened on 9 March 2021. Under this unlikely scenario, the following options have been considered:

- Prior to the Offer being made, the Group and the Parent Company, being the guarantor of the bank facilities, and the financiers, were involved in discussions to restructure the current bank facilities in order to improve the Group's liquidity position. The improvements would have been in the form of deferred debt service and principal repayments that are due within 2 months of the approval of these consolidated financial statements, as well as a reduction in the amount to be held within the debt service reserve account and a further deferment on the covenant testing. These discussions are currently on hold whilst the Offer is being considered for acceptance by the shareholders. Should the Parent Company's Offer be rejected by the shareholders, it is uncertain whether these discussions with the financiers, when resumed, will be successful. Should the Offer be rejected but the financiers continue to support the restructuring of the bank facilities, the Group would have sufficient liquidity and cash balances for the 13-month period from the approval of the consolidated financial statements. Management has assessed that this scenario of the financiers continuing to support the restructuring is unlikely.

- Management has also considered the scenario where the financiers do not support the bank facilities restructuring and require the principal interest repayments to be made once the moratorium ends. Should these payments be required to be made by the Group, the Group's current available liquidity is likely to be exhausted by June 2021. The financiers will then call upon the Group and its Parent Company (being the guarantor of the bank facilities) to fulfill the Group's repayment obligations. If required to step in, it is uncertain as to whether the Parent Company will agree favorable terms with the Group in respect of its repayment obligations towards it to allow the Group to preserve its cash position for at least 12 months from the date of approval of these consolidated financial statements. However, management assessed that the likelihood of the Parent Company agreeing to favourable terms to be unlikely.

- Further, management also assessed the possibility that any eligible shareholder may file a claim before the competent court requesting the dissolution of the Company or vote to dissolve the Company in accordance with the applicable provisions of the UAE Federal Law No.2 of 2015 (as amended by UAE Federal Law No.26 of 2020). However, management has assessed that this is unlikely.

Due to the uncertainty created by COVID-19 and the impact on travel restrictions and / or demand, both the base case and downside scenarios could be exacerbated as a result of a significant reduction in the liquidity during this assessment period. However, management continue to believe that it remains appropriate to prepare the financial statements on a going concern basis as the Offer from the Parent Company is highly probable of being accepted by the shareholders.

The above circumstances, events and conditions represent a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern for a period of at least 12 months from the date of approval of these consolidated financial statements in the event of the unlikely downside scenario materialising and, therefore, its ability to continue realising its assets and discharging its liabilities in the normal course of business.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (including its subsidiaries). Control is achieved when the company:

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

The company reassesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

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

3. Summary of significant accounting policies (continued)

Property and equipment

Property and equipment comprise land, buildings and infrastructure, vehicles, IT and other equipment, furniture and fixtures, rides and attractions, right-of-use assets and capital work-in-progress.

All items of property and equipment are initially recorded at cost. Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for capital work-in-progress. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Borrowing costs that are directly attributable to acquisition, construction or production of an asset are included in the cost of that asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. All other repairs and maintenance are charged to consolidated statement of profit or loss and other comprehensive income when incurred.

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

	Years
Land	No depreciation
Buildings and infrastructure	5 - 40
IT and other equipment	3 - 25
Rides and attractions	5 - 40
Furniture and fixtures	3 - 25
Vehicles	3 - 4
Right-of-use asset	10 - 30

Assets held under leases are depreciated over their expected useful life on the same basis as owned assets. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Capital work-in-progress

Capital work-in-progress includes projects that are being constructed or developed for future use. Cost includes pre-development infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are capitalised during the year when activities that are necessary to make the assets ready for their intended use are in progress. These projects are classified as capital work-in-progress until construction or development is completed. Direct costs from the start of the project up to completion are capitalised. No depreciation is charged on capital work-in-progress.

Financial instruments

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

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

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

Financial assets

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

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

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

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

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

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

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

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

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

Financial liabilities and equity instruments issued by Group

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

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

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

Other financial liabilities
Other financial liabilities including trade and other payables (excluding rental and other advances) and due to related parties are initially measured at fair value, net of transaction costs.

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

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

3. Summary of significant accounting policies (continued)

Impairment of non-financial assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss and other comprehensive income. When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so long as the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

Investments in equity accounted investee

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

An investment in a joint venture is accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income in the joint venture.

Profits and losses resulting from transactions between the Group and its joint venture are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in these entities.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average basis. Net realisable value is the estimated selling price for inventories less estimated costs of completion and cost necessary to make the sale. Write-down of inventories to net realisable value is recognised in the consolidated statement of profit or loss and other comprehensive income.

Cash and cash equivalents

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

Hedge effectiveness

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

Hedge ineffectiveness may occur due to: the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan or due to differences in critical terms between the interest rate swaps and loans. Subsequent to an assessed ineffectiveness, hedge accounting is discontinued and the accumulated hedging reserve is recycled to the consolidated statement of profit or loss and other comprehensive income over the original term of the hedging relationship.

3. Summary of significant accounting policies (continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the inception of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down and the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment and amortised over the period of the facility to which it relates.

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

Convertible bond

The convertible bond is denominated in AED and is classified as a compound financial instrument that can be converted to ordinary shares at the option of the holder. The convertible bond is separated into liability and equity components based on the terms of the bond. At issuance, the fair value of the liability component is determined by discounting the future cash flows pertaining to the coupon payments using the estimated market interest rate. The residual balance is allocated to the equity component and recognised separately under equity.

Subsequent to initial recognition, the liability component of the compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured until maturity. On conversion at maturity, the liability and equity components are reclassified to equity at the par value of ordinary shares issued under the share capital and any surplus recognised under equity.

Interest related to the financial liability is recognised in the consolidated statement of profit or loss and other comprehensive income. Transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Provisions

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

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

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

Leases

Leases are classified as finance or operating leases only if the Group is the lessor. Whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee, the contract is classified as a lease. All other leases are classified as operating leases. If the Group acts as lessee all contracts are recognised in the consolidated financial statements in accordance with the lessee's guidance in IFRS 16.

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

3. Summary of significant accounting policies (continued)

Leases (continued)

The group as lessee
The Group recognises right-of-use assets under lease agreements in which it is a lessee. The underlying assets mainly include property and equipment. The right-of-use assets comprise the initial measurement of the corresponding lease liability and payments made at or before the commencement date as well as any initial direct costs. Furthermore, lease incentives are recognised separately and amortised during the lease term. The corresponding lease liability is included in the consolidated statement of financial position as a lease liability. The right-of-use asset will be depreciated over the lease-term and if necessary impaired in accordance with applicable standards. The Group did neither make any adjustments for re-measurement of the lease liability nor for the right-of-use asset. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (application of the effective interest method) and by reducing the carrying amount to reflect the lease payments made. No modification or reassessments of the lease liability have been made as at the reporting date.

Revenue recognition

The Group recognises revenue, based on the five-step model as set out in IFRS 15:

Step 1 - Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.
Step 2 - Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.
Step 3 - Determine the transaction price: Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.
Step 4 - Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5 - Recognise revenue as and when the Group satisfies a performance obligation.

The Group recognises revenue when one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance obligation completed to date.

The Group allocates the transaction price to the performance obligations in a contract based on the input method which requires revenue recognition on the basis of the Group's efforts or inputs to the satisfaction of the performance obligations.

When the Group satisfies a performance obligation by delivering the promised goods and services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable, taking into account the contractually agreed terms of payment excluding taxes and duties. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or an agent and has concluded that it is acting as a principal in all its revenue arrangements.

Revenue is recognised in the consolidated financial statements to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if and when applicable, can be measured reliably. Revenue represents the amounts received from customers for admission tickets, accommodation, food and beverage sales, merchandising, retail and rental income and sponsorship.

Admission revenue
Admission revenue related to theme park ticket sales is recognised when tickets are used and admission is granted. Revenues from annual passes are recognised over a period of one year from the date of first use.

3. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Accommodation revenue
Accommodation revenue is recognised when rooms are occupied and is presented net of applicable discounts and municipality fees. Ancillary services rendered during occupation are distinct performance obligations, for which prices invoiced to the guests are representative of their stand-alone selling prices. Related revenue is recognised over the period of occupation when the obligation is fulfilled.

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

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

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

Finance income
Finance income includes interest income and gains from financial liability modifications. Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Grants

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

Foreign currency transactions

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

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

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

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Gains and losses on measurement of transactions with the shareholder are recognised in equity.

4. Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses. The Group currently determines and presents financial information as a single operating segment based on the information that is provided internally to the Chief Executive Officer for decision making, who is also the chief operating decision maker (refer to Note 26).

5. Critical accounting judgements and key sources of estimation uncertainty

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

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

Impairment of assets

Asset recoverability is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the higher of, the value-in-use i.e. the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate, and the assets' fair value less costs to sell. Management has assessed that the lowest cash generating unit for the purposes of impairment testing is the majority of assets within property and equipment, as these comprise one destination, Dubai Parks and Resorts, i.e. one cash generating unit ("CGU") that includes the four theme parks, a hotel and retail properties, excluding the undeveloped portions of land (the "Destination").

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

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

Classification of LL Dubai Hotel LLC as a joint venture

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

Fair value measurements and valuation processes

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

Estimated useful lives of property and equipment

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

Asset residual values and useful lives are reviewed at the reporting date and adjusted if appropriate, taking into account technological developments and other factors mentioned above. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

6. Property and equipment

	Land AED'000	Building and infrastructure AED'000	IT and other equipment AED'000	Rides and attractions AED'000	Furniture and fixtures AED'000	Vehicles AED'000	Right-of-use asset AED'000	Capital work-in-progress AED'000	Total AED'000
Cost									
As at 1 January 2019	1,266,824	6,407,148	1,200,162	1,059,610	121,779	4,861	252,496	717,326	11,030,206
Additions during the year	-	5,647	3,329	4,676	2,697	-	-	70,636	86,985
Reclassification (b)	-	-	(395,106)	-	-	-	395,106	-	-
Disposals	-	-	-	-	-	(844)	-	-	(844)
Finance lease amendment (c)	-	-	-	-	-	-	(62,765)	-	(62,765)
As at 31 December 2019	**1,266,824**	**6,412,795**	**808,385**	**1,064,286**	**124,476**	**4,017**	**584,837**	**787,962**	**11,053,582**
Additions during the year	-	3,616	4,923	1,647	170	-	-	97,413	107,769
Disposals	-	-	(286)	-	(1,115)	-	-	-	(1,401)
Transfers	-	97,214	-	-	-	-	-	(97,214)	-
Write-off	-	-	-	-	-	-	-	(4,592)	(4,592)
As at 31 December 2020	**1,266,824**	**6,513,625**	**813,022**	**1,065,933**	**123,531**	**4,017**	**584,837**	**783,569**	**11,155,358**
Accumulated depreciation and impairment									
As at 1 January 2019	75,799	1,183,915	432,006	203,853	47,953	3,186	41,651	442,578	2,430,941
Charge for the year	-	184,570	84,370	51,495	12,105	920	50,029	-	383,489
Disposals	-	-	-	-	-	(790)	-	-	(790)
Reclassification (b)	-	-	(148,579)	-	-	-	148,579	-	-
As at 31 December 2019	**75,799**	**1,368,485**	**367,797**	**255,348**	**60,058**	**3,316**	**240,259**	**442,578**	**2,813,640**
Charge for the year	-	178,284	74,477	50,131	10,596	656	31,392	-	345,536
Impairment loss	245,276	1,094,992	89,859	171,624	12,421	30	66,482	67,181	1,747,865
Disposals	-	-	(153)	-	(1,114)	-	-	-	(1,267)
As at 31 December 2020	**321,075**	**2,641,761**	**531,980**	**477,103**	**81,961**	**4,002**	**338,133**	**509,759**	**4,905,774**
Carrying amount									
At 31 December 2020	**945,749**	**3,871,864**	**281,042**	**588,830**	**41,570**	**15**	**246,704**	**273,810**	**6,249,584**
At 31 December 2019	**1,191,025**	**5,044,310**	**440,588**	**808,938**	**64,418**	**701**	**344,578**	**345,384**	**8,239,942**

6. Property and equipment (continued)

(a) Capital work-in-progress includes work carried out for new rides and related facility costs.

(b) During the year ended 31 December 2019, IT and other equipment assets held under finance lease with a carrying amount of AED 141 million at 31 December 2019 were reclassified to right of use assets as in managements opinion this better represents the nature of these assets. As of 31 December 2020, the Group's right of use assets included the district cooling facility and IT and other equipment assets held under finance lease which had carrying values of AED 150 million and AED 97 million respectively.

(c) During the year ended 31 December 2019, the Group entered into a renegotiated finance lease agreement in relation to IT and other equipment assets and as a result:

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

Accordingly, the finance lease asset had been adjusted by an amount of AED 63 million with the corresponding impact on the related finance lease liability and a gain of AED 9.3 million had been recorded under non-operating income (Note 24).

(d) Property and equipment assets with a carrying amount of AED 5.7 billion (2019: AED 7.5 billion) are pledged as security for the Group's bank facilities (Note 16).

(e) Whilst management believe it is early to assess the overall valuation of a theme park destination which has had only three full years of operation and is considered a long-term commercial proposition, given the carrying amount of the Group's net assets is greater than the Group's market capitalisation (pre impairment loss recorded) and the accumulated losses incurred to date due to the destination being in its early stage of full operations and the uncertainty of the impact on future operations due to COVID-19, management has carried out the impairment assessment on the recoverability of the assets within property and equipment of the Destination.

The key assumptions used within the impairment assessment carried out as at 31 December 2019 have been reassessed. The duration of the projections in the revised impairment assessment has been incrementally extended to an 11-year discrete period to reflect the increased risks arising from COVID-19, which incorporates decreased activity in the business plan.

Management used a value in use calculation to carry out the impairment assessment based on the Board approved business plan prepared by management covering a long term discrete period, which was then extrapolated to estimate the terminal value. The key assumptions underlying the cash flow projections and forming the basis for the value in use calculation include visitation, admission revenue per visit, long term growth rate and discount rate. As with all assumptions, management's judgement is required based on historical experience and other factors, including expectations of future performance that are believed to be reasonable under the circumstances.

Management believe forecasting over a long term period is justified on the basis that theme parks are intrinsically long-term assets, the destination is in its early stage of full operations, having opened in staggered manner from late 2016, with on-going expansion, coupled with the fact that the Group have recently undergone an efficiency and optimisation exercise and with the circumstances of COVID-19. Based on the impairment assessment performed after incorporating the impact of the COVID-19 pandemic by assuming a delayed ramp up of visitation, an impairment loss of AED 1,748 million (2019: Nil) has been recognised as at 31 December 2020 on the assets.

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

6. Property and equipment (continued)

Sensitivity analysis

Impairment reviews are performed based on key estimates and assumptions using currently available market information and expected short/long-term business performance which are inherently uncertain. In addition, this assessment is even more subjective given the added uncertainty caused by the COVID-19 pandemic and its impact on the global trade and tourism. Sensitivity analysis has therefore been performed to assess the impact of material changes in key assumptions and estimates. This is as follows:

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

Management has assumed a compounded annual growth rate ("CAGR") of 7.8% in admission revenue per visitor over the period of impairment assessment and a CAGR of 8.1% in visitation from the period when visitation levels are expected to return to pre-COVID-19 levels of 2.6 million. Should visitation and admission revenue per visitor decrease by 2.5% every year (including the terminal year) with all other variables remaining constant this would result in an additional impairment of AED 427 million. Should the visitation number decrease by 5% every year (including the terminal year) with all other variables remaining constant this would result in an additional impairment of AED 475 million. Should admission revenue decrease by 5% every year (including the terminal year) with all other variables remaining constant this would result in an additional impairment of AED 390 million.

Discount rate – A discount rate of 8.5% (2019: 8.5%) was determined based on the estimated weighted average cost of capital of a 'market participant' within the main geographical region where the Group operates and drawn from market data in similar sectors and adjusted for asset specific risks. The key assumptions used when calculating the discount rate include the ratio of debt to equity financing and risk-free rates. Net present values are calculated using pre-tax discount rates derived from the Group's pre-tax weighted average cost of capital. Should the discount rate increase by 10 basis points with all other variables remaining constant, this would result in an impairment of AED 115 million.

Long term growth rate – A growth rate of 2.26% (2019: 2.5%) was determined based on management's long-term expectations, taking into account future expected trends in both market development and market share growth. Should the long-term growth rate decrease by 50 basis points with all other variables remaining constant this would result in an additional impairment of AED 317 million.

7. Investment in equity accounted investee

During 2017, the Group subscribed for share capital of LL Dubai Hotel LLC which is accounted for as an investment in a joint venture under the equity method. Details of the Investment, which will trade under the name Legoland Hotel Dubai and is expected to become operational during 2021, are as follows:

Name	Nature of business	Country of incorporation	% Interest held	Measurement method
LL Dubai Hotel LLC	Leisure and hospitality	United Arab Emirates	60%	Equity

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

In accordance with the terms of the financing facility, the Group has funded AED 20 million (2019: AED 20 million) to a cost overrun reserve account to meet any overruns in relation to the development of the joint venture and which will be released upon completion of the project, unless called. There are no other commitments or contingent liabilities relating to the Group's interest in the joint venture.

Movement in the investment is as follows:

	2020 AED'000	2019 AED'000
At 1 January	**52,926**	53,668
Share of losses recognised during the year	**(4,869)**	(742)
As at 31 December	**48,057**	52,926

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

7. Investment in equity accounted investee (continued)

Summarised balance sheet

	2020 AED'000	2019 AED'000
Current assets		
Cash and cash equivalents	**-**	6,421
Other current assets	**24,829**	25,173
Total current assets	**24,829**	31,594
Current liabilities		
Trade payables	**18,594**	17,772
Other current liabilities	**2,138**	724
Total current liabilities	**20,732**	18,496
Non-current assets & liabilities		
Assets	**279,779**	219,256
Liabilities	**161,195**	101,558
Net assets	**122,681**	130,796

Summarised statement of comprehensive income

	2020 AED'000	2019 AED'000
General and administrative expenses	**(2,782)**	(836)
Finance costs	**(5,333)**	(400)
Total comprehensive loss for the year	**(8,115)**	(1,236)

Reconciliation of summarised financial information

	2020 AED'000	2019 AED'000
Opening net assets	**130,796**	132,032
Total comprehensive loss for the year	**(8,115)**	(1,236)
Closing net assets	**122,681**	130,796
Interest in equity accounted investee	**60%**	60%
Share in equity accounted investee net assets	**73,609**	78,478
Unrealised gain on land transfer	**(25,552)**	(25,552)
Carrying value	**48,057**	52,926

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

8. Inventories

	2020 AED'000	2019 AED'000
Merchandise	**15,405**	15,120
Food and beverage	**1,278**	1,725
Other operating inventory	**8,034**	7,777
	24,717	24,622
Provision for slow-moving inventory	**(2,560)**	(2,534)
	22,157	22,088
Movement in provision for slow-moving inventory		
As at 1 January	**2,534**	3,293
Reversals made during the year	**-**	(998)
Provisions made during the year	**26**	239
As at 31 December	**2,560**	2,534

9. Related party balances and transactions

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

The following balances are outstanding as at the reporting date:

	2020 AED'000	2019 AED'000
Due from related parties		
Due from the Parent Company	**6,058**	14,826
Due from subsidiaries of the Parent Company	**4,434**	3,730
Due from a joint venture	**3,243**	530
Due from joint ventures of the Parent Company	**249**	961
	13,984	20,047
Due to related parties		
Due to a subsidiary of the Parent Company (b)	**59,637**	57,128
Due to joint ventures of Parent company	**398**	398
	60,035	57,526

a) The Group enters into related party transactions on mutually agreed basis and in the ordinary course of business and outstanding balances mainly relates to leasing and project management services. The terms are normal commercial terms conditions and at market rates. Amounts due from / to related parties do not bear any interest. Certain outstanding balances have no agreed repayment terms, accordingly, they are considered receivable / payable on demand and classified as current assets / liabilities (refer note 15 and 16).

b) During the year ended 31 December 2019, the Group entered into a transaction with its Parent Company for the settlement of a third-party phase I infrastructure contract amounting to AED 104 million. According to the transaction terms, this amount is repayable over 10 years and was recognised at a net present value of AED 57 million. An amount of AED 9.3 million has been recognised as a transaction with a shareholder in the consolidated statement of changes in equity, representing the difference in value between the extinguishment of the previous liability and recognition of the new liability. The outstanding liability as at 31 December 2019 and 2020 is carried at its amortised cost.

9. Related party balances and transactions (continued)

c) During the year, the Group determined certain balances amounting to AED 9.5 million due from related parties in relation to project management services are not recoverable, which were written off and reflected within "Other income - net" in the consolidated statement of profit or loss and other comprehensive income.

Key management remuneration

	2020 AED'000	2019 AED'000
Short term benefits	**8,859**	11,213
Long term benefits	**281**	306
	9,140	11,519

10. Trade and other receivables

	2020 AED'000	2019 AED'000
Trade receivables	**70,956**	73,010
Impairment of trade receivables	**(24,684)**	(23,410)
	46,272	49,600
Advances to contractors	**22,490**	19,789
Prepayments and other receivables	**28,074**	29,977
Interest receivable	**1,109**	1,613
	97,945	100,979

	2020 AED'000	2019 AED'000
Current	**97,945**	100,979

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. A provision has been made for the estimated impairment for trade receivables of AED 25 million (31 December 2019: AED 23 million). The provision has been determined based on assumptions on risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs, based on the Group's history, existing market conditions as well as forward looking estimates at the end of each reporting period.

	2020 AED'000	2019 AED'000
Movement in impairment of trade receivables		
As at 1 January	**23,410**	11,408
Reversals for the year	**-**	(2,715)
Expected credit loss charge for the year	**1,274**	14,717
As at 31 December	**24,684**	23,410

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

The Group seeks to limit its credit risk with respect to sponsorship partners and tenants by entering into contracts with top-tier customers, tracking historical business relationships and assessing default risk. The trade receivable balance as at 31 December 2020 primarily relates to a receivable against which a specific impairment provision has been recognised of AED 24.7 million (2019: AED 23.4 million).

10. Trade and other receivables (continued)

The estimated ECLs are calculated using both actual credit loss experience and forward-looking projections which resulted in no material impact on the impairment of this trade receivable.

At 31 December 2020, Group's top 5 customers accounted for 68% (2019: 62%) of the gross trade receivables balance. Management is of the opinion that this concentration of credit risk will not result in a loss to the Group since these customers have an established record of meeting their financial commitments. Any potential impairment on the prepayment and other receivables and advances to contractors' balances that are subject to the ECL model, is immaterial.

11. Derivative financial instruments

	31 December 2020		
	Positive fair value AED'000	**Negative fair value AED'000**	**Notional amount AED'000**
Interest rate swaps	**-**	**27,891**	**1,537,723**

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

During the year ended 31 December 2020, the Group terminated certain interest rate swaps ("IRS") in relation to its USD denominated term loans which were converted to AED denominated term loans (Note 16). Subsequent to an assessed ineffectiveness, hedge accounting is discontinued and the remaining IRS are no longer designated as hedging instruments and are categorised as level 2 IRS as one or more of the significant inputs are not based on observable market data (Note 28). The accumulated hedging reserve is recycled to the consolidated statement of profit or loss and other comprehensive income over the original term of the hedging relationship and accordingly, an amount of AED 21.6 million has been recorded within 'Finance costs' in the consolidated statement of profit or loss and other comprehensive income.

12. Other financial assets

	2020 AED'000	2019 AED'000
Restricted cash	**116,792**	166,130
Fixed deposits	**-**	100,000
	116,792	266,130

Restricted cash comprises of:

- Fixed deposits held with banks with original maturity periods of more than three months and earn interest at rates ranging from 1% to 3% per annum
- Cash reserves held in the Group's debt service reserve account as required under the terms of the Group's financing arrangements
- Cash margins placed with banks for issuing letters of credit
- Capital expenditure reserve in relations to the Group's hotel asset

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

13. Cash and cash equivalents

	2020 AED'000	2019 AED'000
Fixed deposits	**575,000**	875,000
Cash at bank	**74,466**	55,909
Cash on hand	**1,765**	3,088
Cash and cash equivalents	**651,231**	933,997

Cash at bank includes call accounts that earn interest of up to 1% per annum (31 December 2019: 1%) and short-term deposits held by banks with original maturity periods of three months or less that earn interest at rates ranging from 1% to 3% (31 December 2019: 2% to 3%) per annum.

14. Share capital

	2020 AED'000	2019 AED'000
Authorised capital 12,643,655,416 shares of AED 1 each	**12,643,655**	12,643,655
Issued and fully paid-up 7,999,912,670 shares of AED 1 each	**7,999,913**	7,999,913

15. Convertible bond

	2020 AED'000	2019 AED'000
Balance at the beginning of the year	**1,362,841**	1,255,647
Accrued interest during the year	**117,183**	107,194
	1,480,024	1,362,841
Less: Residual value of equity component	**(65,717)**	(65,717)
Carrying amount of liability component	**1,414,307**	1,297,124

During 2018, the Group had reached an agreement with its Parent Company and Meraas Holding LLC to issue an AED 1.2 billion convertible bond which was approved at the General Assembly on 25 April 2018. Under the agreement, the existing outstanding subordinated shareholder loan ("SSL") balance including accrued interest thereon was incorporated into the convertible bond. The convertible bond has a maturity date of 30 June 2026 and carries a coupon of 8 per cent per annum compounded quarterly with the coupon payable on the maturity date, unless converted earlier.

The bond is convertible at the option of the holder at a strike price of AED 1.04 from the period beginning 1 January 2021 and ending on 31 December 2024. The conversion period is extendable for a period of 12 months upon expiry in the event that the trailing 12-month volume weighted average price of the Company shares is less than AED 1.04. As at 31 December 2020, the convertible bonds had been fully issued.

Refer note 3 in relation to the offer received from the Parent Company and Meraas Holding LLC and intent to convert the outstanding convertible loan amount to shares.

16. Bank facilities

	2020 AED'000	2019 AED'000
Balance at the beginning of the year	**4,158,026**	4,158,026
Gain on bank facilities terms modification	**(14,961)**	-
Amortization of gain using effective interest method	**1,796**	-
Term loans	**4,144,861**	4,158,026
Gross borrowing costs	**307,438**	306,466
Less: Cumulative amortisation	**(147,272)**	(118,157)
Un-amortised borrowing costs	**160,166**	188,309
Carrying amount	**3,984,695**	3,969,717

	2020 AED'000	2019 AED'000
Within 1 year	**213,248**	-
Later than 1 year and not longer than 2 years	**251,727**	213,248
Later than 2 years and not longer than 5 years	**1,470,289**	1,093,587
Later than 5 years	**2,209,597**	2,851,191
	4,144,861	4,158,026
Amounts due for settlement within 12 months	**213,248**	-
Amounts due for settlement after 12 months	**3,931,613**	4,158,026
	4,144,861	4,158,026

Term loans

a) The Group has bank facilities of AED 4.2 billion (31 December 2019: AED 4.2 billion) with a carrying value of AED 4.1 billion (31 December 2019: AED 4.2 billion) in the form of term loans which was fully utilised as at 31 December 2020 (31 December 2019: was fully utilised).

b) During the year ended 31 December 2020, as part of the on-going debt amendment discussions, the Group reached an agreement with the term loan facility syndicate as follows:

- The USD denominated debt portion was converted to AED;
- Certain IRS contracts were terminated (Note 11) ; and
- Cash settled interest for the 15 month period ending 30 June 2021 was reduced to 1%. The remaining interest for the aforementioned period will continue to be accrued on a non-compounding basis and due to be settled on 30 June 2021.

A resultant gain on modification of bank facilities terms was recorded as other income in the consolidated statement of profit or loss and other comprehensive income (Note 24).

c) The outstanding bank syndicated facilities are secured by a range of mortgages over property owned by the Group (Note 6), assignments of certain contracts, pledges over certain bank accounts and deposits, amounting to AED 453 million (2019: AED 769 million) and guarantees from the Parent Company .

Letters of credit

As at 31 December 2020, the Group has facilities in relation to letters of credit amounting to AED 200 million (31 December 2019: AED 200 million) and outstanding letters of credit amounting to AED 3.2 million (31 December 2019: AED 10 million). The letters of credit are secured by way of 100% cash margin.

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

16. Bank facilities (continued)

Net debt reconciliation

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

		Cash changes		Non-cash changes		
	1 January 2020 AED'000	Financing cash flows AED'000	Equity component of convertible bond AED'000	Finance lease recognised AED'000	Other non-cash changes AED'000	31 December 2020 AED'000
Convertible bond (including compounding interest payable)	**1,297,124**	**-**	**-**	**-**	**117,183**	**1,414,307**
Bank borrowing (including simple interest payable)	**4,158,026**	**(99,312)**	**-**	**-**	**86,147**	**4,144,861**
Lease liability	**432,678**	**(9,004)**	**-**	**-**	**28,056**	**451,730**
	5,887,828	**(108,316)**	**-**	**-**	**231,386**	**6,010,898**
Less: cash and cash equivalents	**(933,997)**					**(651,231)**
Less: other financial assets	**(266,130)**					**(116,792)**
Net Debt	**4,687,701**					**5,242,875**

		Cash changes		Non-cash changes		
	1 January 2019 AED'000	Financing cash flows AED'000	Equity component of convertible bond AED'000	Finance lease recognised AED'000	Other non-cash changes AED'000	31 December 2019 AED'000
Convertible bond (including compounding interest payable)	1,189,930	-	-	-	107,194	1,297,124
Bank borrowing (including simple interest payable)	4,158,026	(225,890)	-	-	225,890	4,158,026
Lease liability	526,508	(9,075)	-	-	(84,755)	432,678
	5,874,464	(234,965)	-	-	248,329	5,887,828
Less: cash and cash equivalents	(1,053,001)					(933,997)
Less: other financial assets	(729,609)					(266,130)
Net Debt	4,091,854					4,687,701

17. Trade and other payables

	2020 AED'000	2019 AED'000
Trade payables	**279,160**	178,987
Accrued expenses	**369,460**	371,245
Retentions payable	**92,083**	197,784
Long term contractor settlement liabilities	**60,761**	91,990
Deferred revenue (a)	**58,255**	44,516
Rental and other advances	**17,612**	20,527
Other liabilities *	**116,942**	20,256
	994,273	925,305
Current	**933,512**	833,315
Non-current (b)	**60,761**	91,990
	994,273	925,305

* includes interest payable of AED 97 million.

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

17. Trade and other payables (continued)

(a) Deferred revenue

	2020 AED'000	2019 AED'000
Balance at the beginning of the year	**44,516**	41,869
Cash collections and other movements	**28,729**	97,038
Revenue recognised during the year (Note 19)	**(14,990)**	(94,391)
Balance at the end of the year	**58,255**	44,516

Deferred revenue represents the Group's outstanding performance obligations in relation to:

- Upfront cash collections from annual pass sales and advance bookings
- Third party sponsorship agreements

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

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

18. Provisions

	2020 AED'000	2019 AED'000
Provision for other liabilities (a)	**36,549**	36,791
Employees' end-of-service benefits (b)	**8,833**	8,736
	45,382	45,527

(a) Provision for other liabilities

	2020 AED'000	2019 AED'000
Balance at the beginning of the year	**36,791**	70,324
Amounts utilised during the year	**(242)**	(33,533)
Balance at the end of the year	**36,549**	36,791

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

(b) Employees' end-of-service benefits

	2020 AED'000	2019 AED'000
Balance at the beginning of the year	**8,736**	7,138
Charge for the year	**2,861**	4,605
Amounts paid during the year	**(2,764)**	(3,007)
Balance at the end of the year	**8,833**	8,736

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

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

19. Revenue

	2020 AED'000	2019 AED'000
Revenue from contracts with customers – *Point in time*		
Admission revenue (excluding annual passes)	**51,676**	159,124
Sales of food and beverage	**26,541**	72,320
Sale of merchandise	**11,038**	33,293
Other	**8,582**	19,677
	97,837	284,414
Revenue from contracts with customers – *Over time*		
Accommodation revenue	**27,129**	61,406
Admission revenue (annual passes)	**5,627**	33,019
Sponsorship revenue	**9,363**	61,372
Management fees	**-**	3,849
	42,119	159,646
Lease revenues	**4,433**	47,138
	144,389	491,198

During the year ended 31 December 2019, the Group had entered into a settlement agreement with a multiple unit tenant for the recovery of long outstanding dues for rental and other related charges amounting to AED 40.5 million of which AED 33.6 million had been included in lease revenues and AED 6.9 million had been presented net within 'Salaries, depreciation and other expenses' (Note 20). Of the AED 40.5 million recovered, AED 38.8 million had been assessed as non-recurring in nature and accordingly had been excluded from adjusted EBITDA (Note 26).

20. Salaries, depreciation and other expenses

	2020 AED'000	2019 AED'000
Salaries and other employee benefits *	**127,932**	224,625
Depreciation (Note 6)	**345,536**	383,489
Utility charges	**36,355**	63,953
Management and royalty fees	**29,373**	55,701
Repairs and maintenance	**25,393**	36,333
Supplies, communication and IT expenses	**23,573**	36,229
Rent expense	**5,710**	17,990
Insurance expense	**5,455**	4,973
Outsourced entertainment and music	**3,595**	16,005
Security expenses	**2,817**	7,833
Provision for doubtful debts (Note 10)	**1,274**	12,002
Other	**9,796**	22,486
	616,809	881,619

* Includes pension contributions for U.A.E. nationals that are made by the Group in accordance with Federal Law No. 7 of 1999; and an AED 8.6 million (2019: AED 3.3 million) reduction in expense resulting from non-recourse grants received from the Parent towards the salaries and other employee benefits of U.A.E. nationals.

21. Other direct costs

	2020 AED'000	2019 AED'000
Food and beverage	**8,261**	20,881
Merchandise	**4,624**	15,374
Other	**2,294**	5,649
Sponsorships	**610**	3,222
	15,789	45,126

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

22. Finance costs

	2020 AED'000	2019 AED'000
Interest on term loan	**195,971**	226,103
Interest on convertible bond	**117,183**	107,220
Interest on leases	**45,059**	45,256
Amortization of borrowing costs	**29,115**	28,987
Cash flow hedging losses on fair value reclassified to profit or loss	**21,639**	-
Discount unwinding on long term liabilities	**11,929**	6,452
Losses on ineffective hedges	**465**	-
	421,361	414,018

23. Finance income

	2020 AED'000	2019 AED'000
Interest on deposits	**11,813**	22,188
Gain on modification of financial liabilities	**-**	27,098
	11,813	49,286

24. Other income - net

	2020 AED'000	2019 AED'000
Gain on bank facilities terms modification (Note 16)	**14,961**	-
Lease agreement termination fee	**2,946**	-
Reimbursement of municipality tax	**1,916**	5,414
Gain on lease modifications (Note 6(c))	**-**	9,340
One-time employee related provisions	**(26)**	(12,256)
Write-off of property and equipment (Note 6)	**(4,592)**	-
Write-off of related party balances (Note 9 (c))	**(9,452)**	-
Other non-operating income	**72**	1,806
	5,825	4,304

25. Basic and diluted loss per share

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

	2020	2019
Loss attributable to equity holders of the Company (in AED'000)	**(2,657,943)**	(854,554)
Weighted average number of shares (in '000) Outstanding at 1 January and 31 December	**7,999,913**	7,999,913
Basic and dilutive loss per share (in AED)	**(0.332)**	(0.107)

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

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

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

	2020 AED'000	2019 AED'000
Loss for the year	**(2,657,943)**	(854,554)
Adjusted for:		
Depreciation	**345,536**	383,489
Impairment losses on property and equipment	**1,747,865**	-
Finance costs	**421,361**	414,018
Finance income	**(11,813)**	(49,286)
EBITDA	**(154,994)**	(106,333)
Adjustments for non-recurring items:		
Non-recurring rental revenue and other related charges (Note 19)	**-**	(38,760)
Other income - net (Note 24)	**(5,825)**	(4,304)
Adjusted EBITDA	**(160,819)**	(149,397)

27. Commitments and contingent liabilities

(a) Commitments

Commitments for services received in relation to development and construction of assets classified under property and equipment amounted to AED 84 million as at 31 December 2020 (31 December 2019: AED 96 million).

(b) Lease rentals – Group as a lessee

	Future minimum lease payments		**Interest**		**Present value of minimum lease payments**	
	2020 AED'000	2019 AED'000	**2020 AED'000**	2019 AED'000	**2020 AED'000**	2019 AED'000
Not later than 1 year	**26,678**	57,673	**-**	31,389	**26,678**	26,284
Later than 1 year and not longer than 5 years	**337514**	255,418	**176,415**	196,470	**161,099**	58,948
Later than 5 years	**860,075**	993,689	**596,122**	646,243	**263,953**	347,446
	1,224,267	1,306,780	**772,537**	874,102	**451,730**	432,678

(c) Operating lease rentals – Group as a lessor

	2020 AED'000	2019 AED'000
Not later than 1 year	**6,652**	22,619
Later than 1 year and not longer than 5 years	**133**	8,832
	6,785	31,451

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

27. Commitments and contingent liabilities (continued)

(d) Letter of credits

	2020 AED'000	2019 AED'000
Letters of credit	**3,292**	10,462

(e) Contingent liabilities

Contingent liabilities may arise during the normal course of business. Based on information presently available any such contingent liabilities either cannot be quantified at this stage or in the opinion of management are without merit and therefore are deemed not likely to result in a cash outflow to the Group at the present time.

Legal claim

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

28. Financial instruments

(a) Significant accounting policies

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

(b) Categories of financial instruments

Financial assets	2020 AED'000	2019 AED'000
Trade receivables - net	**46,272**	49,600
Interest receivable	**1,109**	1,613
Other receivables (excluding advances to contractors and prepayments)	**15,209**	20,557
Due from related parties	**13,984**	20,047
Other financial assets	**116,792**	266,130
Cash and cash equivalents	**651,231**	933,997
Financial assets – at amortised cost	**844,597**	1,291,944
Derivative financial instrument - at fair value	**-**	6,799
Total financial assets	**844,597**	1,298,743

Financial liabilities	2020 AED'000	2019 AED'000
Trade payables	**279,160**	178,987
Accrued expenses	**369,460**	371,245
Retentions payable	**92,083**	197,784
Other liabilities	**177,703**	112,246
Due to related parties	**60,035**	57,526
Convertible bond – liability component	**1,414,307**	1,297,124
Bank facilities (excludes un-amortised borrowing costs)	**4,144,861**	4,158,026
Lease liabilities	**451,730**	432,678
Financial liabilities – at amortised cost	**6,989,339**	6,805,616
Derivative financial instrument - at fair value	**27,891**	5,862
Total financial liabilities	**7,017,230**	6,811,478

28. Financial instruments (continued)

(c) Fair value of financial instruments

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

Fair value of financial instruments measured at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities that are due within a 12 month period from the balance sheet date approximate their fair values.

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

Valuation of financial instruments recorded at fair value is based on quoted market prices and other valuation techniques. The fair values of financial assets and financial liabilities are determined as follows:

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

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

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

29. Financial risk management

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

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

(a) Interest rate risk management

The Group's exposure to interest rate risk relates to its bank facilities, bank call accounts and other financial assets. The bank call accounts and other financial assets carry a fixed rate of interest of between 1% - 3% per annum. The Group's exposure to interest rate risk relates primarily to its term loans which comprise AED denominated tranches bearing interest of EIBOR + 3.15% per annum (2019: USD and AED denominated tranches carrying interest of LIBOR + 3.5% and EIBOR + 3.15% per annum respectively). The Group's previous policy of maintaining its borrowings at fixed rate using floating to fixed IRS was discontinued during the year following debt modification (Note 16), termination of USD denominated borrowing related IRS and assessment of remaining IRS contracts as ineffective (Note 11). As of 31 December 2020, the Group had no IRS designated as hedging instruments. During 2019, the Groups IRS covered 66% of the variable loan principal outstanding with a hedging ratio of 66%.

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

29. Financial risk management (continued)

(a) Interest rate risk management (continued)

The IRS have the following settlement dates as at 31 December 2020:

	Within 1 year AED'000	Between 1 and 5 years AED'000
Derivative financial instruments	**27,891**	-

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

Interest rate sensitivity analysis

The following sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. If interest rates had been 25 basis points higher / lower and all other variables were held constant, the Group's interest cost for the year ended 31 December 2020 would increase / decrease by AED 10 million (2019: AED 10 million). This is attributable to the Group's exposure to interest rates on its variable rate term loans.

(b) Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade and other receivables (excluding prepayments and advance to contractors), due from related parties, other financial assets and cash and cash equivalents.

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

	2020 AED'000	2019 AED'000
Trade and other receivables (excluding prepayments and advance to contractors)	**62,590**	71,770
Due from related parties	**13,984**	20,047
Other financial assets	**116,792**	266,130
Cash and cash equivalents (excluding cash in hand)	**649,466**	930,909
Derivative financial instruments	-	6,799
	842,832	1,295,655

Trade receivables

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

Due from related parties

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

Cash and cash equivalents

Cash is placed with local and international banks of good credit reputation. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The cash and cash equivalents at the balance sheet date is placed with local banks having credit ratings Aa3 to A3.

29. Financial risk management (continued)

(c) Foreign currency risk management

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

(d) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with management who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding. The Group manages liquidity risk by maintaining adequate reserves (including holding fixed deposits at banks to meet liquidity needs), and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities (including entering into netting off agreements where appropriate).

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

Financial Liabilities

	Within 1 year AED'000	Between 1 and 5 years AED'000	Over 5 years AED'000	**Total AED'000**
2020				
Convertible bond*	-	-	2,272,653	**2,272,653**
Bank facilities	366,213	2,216,688	2,262,209	**4,845,110**
Due to related parties	-	16,400	79,400	**95,800**
Trade and other payables (excluding deferred revenue and rental and other advances)	879,259	32,109	24,859	**936,227**
	1,245,472	2,265,197	4,639,121	**8,149,790**
2019				
Convertible bond*	-	-	2,272,653	**2,272,653**
Bank facilities	228,400	2,109,235	3,051,991	**5,389,626**
Due to related parties	-	17,756	28,410	**46,166**
Trade and other payables (excluding deferred revenue and rental and other advances)	806,861	50,171	28,411	**885,443**
	1,035,261	2,177,162	5,381,465	**8,593,888**

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

Financial assets

	Within 1 year AED'000	Between 1 and 5 years AED'000	Over 5 years AED'000	**Total AED'000**
2020				
Trade and other receivables (excluding prepayments and advances to contractors)	62,590	-	-	**62,590**
Due from related parties	13,984	-	-	**13,984**
Other financial assets	116,792	-	-	**116,792**
Cash and cash equivalents	651,231	-	-	**651,231**
	844,597	-	-	**844,597**

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

29. Financial risk management (continued)

Financial assets (continued)

2019	Within 1 year AED'000	Between 1 and 5 years AED'000	Over 5 years AED'000	**Total AED'000**
Trade and other receivables(excluding prepayments and advances to contractors)	71,770	-	-	**71,770**
Due from related parties	20,047	-	-	**20,047**
Other financial assets	266,130	-	-	**266,130**
Cash and cash equivalents	933,997	-	-	**933,997**
	1,291,944	-	-	**1,291,944**

30. Capital management

The capital structure of the Group consists of cash and cash equivalents, equity attributable to equity holders of the Company, convertible bonds and bank borrowings. The Group's objective when managing capital is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development and operations of the business; to provide returns for shareholders; and to optimise the capital structure to reduce the cost of capital. To enable the Group to meet its objective, management monitor capital through constant review of the Group's cashflows and through regular budgeting and planning processes.

31. Subsequent events

Subsequent to the year end, the Parent Company and Meraas Holding LLC have served an irrevocable notice to the Board of Directors on 31 January 2021 to convert the convertible bond instrument into new shares in DXBE at the conversion price of AED 1.04 per share. The conversion is expected to take place on 28 February 2021.

32. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and signed for issuance on 9 February 2021.