DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are described in Note 17 to the financial statements.

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

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

RESULTS

	Group RM'000	Company RM'000
Profit from continuing operations, net of tax	73,174	184,195
Profit attributable to:		
Owners of the parent	70,386	184,195

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the impact to the amortisation period arising from the extension of the operating period from 25 years ending 2034 to an additional 35 years ending 2069 which has resulted in an increase in the Group's net profit by RM149,600,000. Further details in regard to the extension of the Operating Agreements are disclosed in Note 1.2(f).

SHARE CAPITAL

There were no issuance of equity during the financial year.

DIRECTORS' **REPORT**

DIVIDENDS

The amount of dividends declared or paid by the Company since 31 December 2015 were as follows:

	RM'000
In respect of the financial year ended 31 December 2015 as reported in the directors' report of that year:	
Single-tier final dividend of 4.50%, on 1,659,191,829 ordinary shares, declared on 27 April 2016 and paid on 3 June 2016	74,664
In respect of the financial year ended 31 December 2016:	
Single-tier interim dividend of 4.00%, on 1,659,191,829 ordinary shares, declared on 28 July 2016 and paid on 26 August 2016	66,368
	141,032

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2016, of 6.00% on 1,659,191,829 ordinary shares on single-tier basis, with a total quantum of RM99,552,000 will be proposed for shareholders' approval (Proposed Final Dividend).

The Proposed Final Dividend does not consist of an electable portion which can be elected to be re-invested in new ordinary shares in accordance with the Dividend Reinvestment Plan (DRP) as disclosed in Note 27 to the financial statements since the Group has sufficient cash to finance it. The Board on 28 February 2017 has approved the Proposed Final Dividend without DRP.

DIRECTORS

The directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah
Datuk Mohd Badlisham bin Ghazali
Dato' Sri Dr. Mohmad Isa bin Hussain
Datuk Ruhaizah binti Mohamed Rashid (appointed on 3 June 2016)
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin
Dato' Mohd Izani bin Ghani
Datuk Seri Yam Kong Choy
Datuk Zalekha binti Hassan
Rosli bin Abdullah
Dato' Ir. Mohamad bin Husin (appointed on 15 August 2016)
Datuk Azailiza binti Mohd Ahad (appointed on 8 November 2016)
Dato' Chua Kok Ching [alternate director to Datuk Ruhaizah binti Mohamed Rashid] (appointed on 3 June 2016)
Mohd Shihabuddin bin Mukhtar [alternate director to Dato' Sri Dr. Mohmad Isa bin Hussain] (appointed on 6 February 2017)
Jeremy bin Nasrulhaq (resigned on 1 November 2016)
Norazura binti Tadzim [alternate director to Dato' Sri Dr. Mohmad Isa bin Hussain] (resigned on 6 February 2017)

DIRECTORS' **REPORT**

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONTINUED)

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

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

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

(f) In the opinion of the directors:

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

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

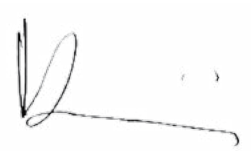
SIGNIFICANT EVENTS DURING THE YEAR

Significant events during the year are disclosed in Note 40 to the financial statements.

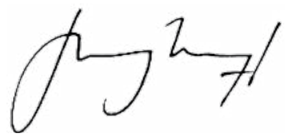
AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 February 2017.



Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah



Datuk Mohd Badlisham bin Ghazali

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah and Datuk Mohd Badlisham bin Ghazali, being two of the directors of Malaysia Airports Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 184 to 312 are drawn up in accordance with the requirements of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance and the cash flows of the Group and of the Company for the year then ended.

The information set out in Note 44 on page 313 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 February 2017.

Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah

Datuk Mohd Badlisham bin Ghazali

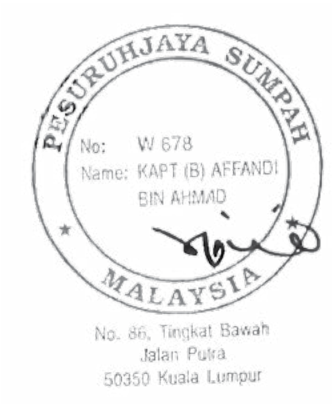
STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Raja Azmi bin Raja Nazuddin (MIA Number: 8515), being the officer primarily responsible for the financial management of Malaysia Airports Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 184 to 313 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Raja Azmi bin Raja Nazuddin at Kuala Lumpur in the Federal Territory on 28 February 2017.

Raja Azmi bin Raja Nazuddin

Before me,



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MALAYSIA AIRPORTS HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Malaysia Airports Holdings Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 184 to 312.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards (FRS), and the requirements of the Companies Act, 1965 in Malaysia.

BASIS FOR OPINION

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

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

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

KEY AUDIT MATTERS

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MALAYSIA AIRPORTS HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)

KEY AUDIT MATTERS (CONTINUED)

IMPAIRMENT OF INTANGIBLE ASSETS

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

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

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

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

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

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

LITIGATION

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MALAYSIA AIRPORTS HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)

KEY AUDIT MATTERS (CONTINUED)

AMORTISATION OF INTANGIBLE ASSETS

As at 31 December 2016 the net book value of intangible assets amount to RM17,230,972,000 as disclosed in Note 16. The useful lives of the intangible assets are amortised on usage based method.

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

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

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

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MALAYSIA AIRPORTS HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MALAYSIA AIRPORTS HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 17 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MALAYSIA AIRPORTS HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 44 on page 313 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (MIA Guidance) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Nik Rahmat Kamarulzaman bin Nik Ab. Rahman
No. 1759/02/18(J)
Chartered Accountant

Kuala Lumpur, Malaysia
28 February 2017

STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Continuing operations					
Revenue	3	**4,172,768**	3,870,207	**119,711**	119,788
Cost of inventories sold		**(396,917)**	(373,390)	**-**	-
Other income	4	**220,741**	337,073	**434,828**	506,376
Employee benefits expense	5	**(770,263)**	(743,966)	**(138,740)**	(134,010)
Depreciation and amortisation		**(852,540)**	(901,711)	**(15,875)**	(11,924)
Other expenses		**(1,516,420)**	(1,410,824)	**(60,519)**	(87,257)
Finance costs	6	**(689,769)**	(741,851)	**(158,038)**	(169,750)
Share of results of associates	18	**1,676**	(349)	**-**	-
Share of results of joint ventures	19	**14,055**	10,750	**-**	-
Profit before tax and zakat from continuing operations	7	**183,331**	45,939	**181,367**	223,223
Taxation and zakat	9	**(110,157)**	(5,818)	**2,828**	15,792
Profit from continuing operations, net of tax		**73,174**	40,121	**184,195**	239,015
Discontinued operation					
Loss from discontinued operation, net of tax	10	**-**	(9)	**-**	-
Profit, net of tax		**73,174**	40,112	**184,195**	239,015
Profit/(loss) attributable to:					
Owners of the parent		**70,386**	40,904	**184,195**	239,015
Non-controlling interests		**2,788**	(792)	**-**	-
		73,174	40,112	**184,195**	239,015
Earnings/(loss) per share attributable to owners of the parent					
(sen per share)					
- basic, for profit for the year	11	**0.94**	(1.09)		

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit, net of tax		**73,174**	40,112	**184,195**	239,015
Other comprehensive income:					
Available-for-sale investments					
- Gain on fair value changes	20	**2,968**	7,178	**2,925**	6,844
Foreign currency translation		**1,049**	283,331	**-**	-
Unrealised loss on derivative financial instruments	34	**(23,926)**	(13,491)	**-**	-
Other comprehensive income for the year, net of tax		**(19,909)**	277,018	**2,925**	6,844
Total comprehensive income for the year		**53,265**	317,130	**187,120**	245,859
Total comprehensive income attributable to:					
Owners of the parent		**50,477**	317,922	**187,120**	245,859
Non-controlling interests		**2,788**	(792)	**-**	-
		53,265	317,130	**187,120**	245,859

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		Group	
		2016	2015
	Note	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**381,665**	364,070
Plantation development expenditure	14	**66,690**	63,698
Land use rights	15	**7,141**	7,246
Intangible assets	16	**17,230,972**	17,842,413
Investments in associates	18	**36,161**	34,485
Investments in joint ventures	19	**82,720**	71,671
Available-for-sale investments	20	**234,729**	335,344
Trade and other receivables	22	**411,111**	429,376
Staff loans	23	**31,710**	35,344
Deferred tax assets	24	**215,886**	231,642
		18,698,785	19,415,289
Current assets			
Inventories	25	**135,235**	117,642
Trade and other receivables	22	**871,555**	1,140,927
Tax recoverable		**10,958**	31,588
Cash and cash equivalents	26	**1,571,876**	1,286,736
		2,589,624	2,576,893
Asset of disposal group classified as held for disposal	10	**151**	151
		2,589,775	2,577,044
Total assets		**21,288,560**	21,992,333

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Group 2016 RM'000	Group 2015 RM'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	27	**1,659,192**	1,659,192
Perpetual Sukuk	33	**997,842**	997,842
Share premium		**3,455,149**	3,455,149
Retained earnings	28	**2,321,187**	2,449,491
Fair value adjustment reserve	29	**8,268**	5,300
Hedging reserve	34	**(37,417)**	(13,491)
Other reserves	30(b)	**6,801**	5,083
Foreign exchange reserve	30(a)	**283,835**	282,786
		8,694,857	8,841,352
Non-controlling interests		**2,031**	(757)
Total equity		**8,696,888**	8,840,595
Non-current liabilities			
Loans and borrowings	32	**5,386,142**	5,500,007
Derivative financial instruments	34	**43,393**	14,523
Trade and other payables	35	**4,460,533**	4,478,195
Deferred tax liabilities	24	**935,840**	935,017
		10,825,908	10,927,742
Current liabilities			
Loans and borrowings	32	**193,638**	398,308
Derivative financial instruments	34	**3,389**	3,105
Trade and other payables	35	**1,538,571**	1,784,233
Income tax payable		**30,147**	38,331
		1,765,745	2,223,977
Liability of disposal group classified as held for disposal	10	**19**	19
		1,765,764	2,223,996
Total liabilities		**12,591,672**	13,151,738
Total equity and liabilities		**21,288,560**	21,992,333

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Company 2016 RM'000	Company 2015 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**73,531**	66,677
Investments in subsidiaries	17	**1,943,696**	1,943,696
Investments in joint ventures	19	**53,718**	53,718
Available-for-sale investments	20	**188,416**	291,169
Other receivables	22	**4,998,489**	5,285,090
Deferred tax asset	24	**3,361**	266
		7,261,211	7,640,616
Current assets			
Inventories	25	**13**	13
Other receivables	22	**2,340,598**	2,505,940
Tax recoverable		**1,622**	1,389
Cash and cash equivalents	26	**223,614**	171,400
		2,565,847	2,678,742
Total assets		**9,827,058**	10,319,358

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		Company	
	Note	2016 RM'000	2015 RM'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	27	**1,659,192**	1,659,192
Perpetual Sukuk	33	**997,842**	997,842
Share premium		**3,455,149**	3,455,149
Retained earnings	28	**133,540**	148,035
Fair value adjustment reserve	29	**8,169**	5,244
Total equity		**6,253,892**	6,265,462
Non-current liabilities			
Loans and borrowings	32	**3,350,000**	3,350,000
Current liabilities			
Loans and borrowings	32	**-**	250,000
Other payables	35	**223,166**	453,896
		223,166	703,896
Total liabilities		**3,573,166**	4,053,896
Total equity and liabilities		**9,827,058**	10,319,358

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Attributable to owners of the parent										
		Non-distributable										
Group	Note	Share capital RM'000 (Note 27)	Perpetual Sukuk RM'000 (Note 33)	Share premium RM'000	Fair value adjustment reserve RM'000 (Note 29)	Foreign exchange reserve RM'000 (Note 30(a))	Hedging reserve RM'000 (Note 34)	Other reserve RM'000 (Note 30(b))	Distributable retained earnings RM'000 (Note 28)	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2015		1,374,150	997,842	2,373,149	(1,878)	(545)	-	2,635	2,591,922	7,337,275	35	7,337,310
Total comprehensive income		-	-	-	7,178	283,331	(13,491)	-	40,904	317,922	(792)	317,130
Legal reserve	30(b)	-	-	-	-	-	-	2,448	-	2,448	-	2,448
Distribution to Perpetual Sukuk holder	33	-	-	-	-	-	-	-	(57,500)	(57,500)	-	(57,500)
Transactions with owners:												
Issuance of new shares pursuant to DRP	27	9,734	-	48,248	-	-	-	-	-	57,982	-	57,982
Issuance of new shares via right issues	27	275,308	-	1,033,752	-	-	-	-	-	1,309,060	-	1,309,060
Dividends	12	-	-	-	-	-	-	-	(125,835)	(125,835)	-	(125,835)
Total transactions with owners		285,042	-	1,082,000	-	-	-	-	(125,835)	1,241,207	-	1,241,207
At 31 December 2015		1,659,192	997,842	3,455,149	5,300	282,786	(13,491)	5,083	2,449,491	8,841,352	(757)	8,840,595

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Note	Share capital RM'000 (Note 27)	Perpetual Sukuk RM'000 (Note 33)	Share premium RM'000	Fair value adjustment reserve RM'000 (Note 29)	Foreign exchange reserve RM'000 (Note 30(a))	Hedging reserve RM'000 (Note 34)	Other reserve RM'000 (Note 30(b))	Distributable retained earnings RM'000 (Note 28)	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		← Attributable to owners of the parent →										
		← Non-distributable →										
At 1 January 2016		1,659,192	997,842	3,455,149	5,300	282,786	(13,491)	5,083	2,449,491	8,841,352	(757)	8,840,595
Total comprehensive income		-	-	-	2,968	1,049	(23,926)	-	70,386	50,477	2,788	53,265
Legal reserve	30(b)	-	-	-	-	-	-	1,718	-	1,718	-	1,718
Distribution to Perpetual Sukuk holder	33	-	-	-	-	-	-	-	(57,658)	(57,658)	-	(57,658)
Transaction with owners:												
Dividends	12	-	-	-	-	-	-	-	(141,032)	(141,032)	-	(141,032)
Total transaction with owners		-	-	-	-	-	-	-	(141,032)	(141,032)	-	(141,032)
At 31 December 2016		**1,659,192**	**997,842**	**3,455,149**	**8,268**	**283,835**	**(37,417)**	**6,801**	**2,321,187**	**8,694,857**	**2,031**	**8,696,888**

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Attributable to owners of the parent					
		Non-distributable					
Company	Note	Share capital RM'000 (Note 27)	Perpetual Sukuk RM'000 (Note 33)	Share premium RM'000	Fair value adjustment reserve RM'000 (Note 29)	Distributable retained earnings RM'000 (Note 28)	Total equity RM'000
At 1 January 2015		1,374,150	997,842	2,373,149	(1,600)	92,355	4,835,896
Total comprehensive income		-	-	-	6,844	239,015	245,859
Distribution to Perpetual Sukuk holder	33	-	-	-	-	(57,500)	(57,500)
Transactions with owners:							
Issuance of new shares pursuant to DRP	27	9,734	-	48,248	-	-	57,982
Issuance of new shares via right issues	27	275,308	-	1,033,752	-	-	1,309,060
Dividends	12	-	-	-	-	(125,835)	(125,835)
Total transactions with owners		285,042	-	1,082,000	-	(125,835)	1,241,207
At 31 December 2015		1,659,192	997,842	3,455,149	5,244	148,035	6,265,462
At 1 January 2016		**1,659,192**	**997,842**	**3,455,149**	**5,244**	**148,035**	**6,265,462**
Total comprehensive income		**-**	**-**	**-**	**2,925**	**184,195**	**187,120**
Distribution to Perpetual Sukuk holder	33	**-**	**-**	**-**	**-**	**(57,658)**	**(57,658)**
Transaction with owners:							
Dividends	12	**-**	**-**	**-**	**-**	**(141,032)**	**(141,032)**
Total transaction with owners		**-**	**-**	**-**	**-**	**(141,032)**	**(141,032)**
At 31 December 2016		**1,659,192**	**997,842**	**3,455,149**	**8,169**	**133,540**	**6,253,892**

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax and zakat from				
- continuing operations	**183,331**	45,939	**181,367**	223,223
- discontinued operation	**-**	(9)	**-**	-
Adjustments for:				
Interest income	**(36,831)**	(33,656)	**(3,173)**	(2,015)
Dividend income	**-**	-	**(125,234)**	(124,776)
Interest expense	**686,332**	741,239	**158,038**	169,750
Loss from derivative instrument	**3,437**	612	**-**	-
Provision for liabilities	**7,909**	7,334	**-**	563
Write-back of provision for liabilities	**(5,692)**	(514)	**(150)**	-
Amortisation of:				
- intangible assets	**786,965**	846,291	**-**	-
- plantation development expenditure	**3,227**	3,200	**-**	-
- land use rights	**105**	133	**-**	-
Depreciation of property, plant and equipment	**62,243**	52,087	**15,875**	11,924
Impairment/(reversal of impairment) of:				
- intangible assets	**1,305**	(18,368)	**-**	-
- property, plant and equipment	**394**	-	**394**	-
Net allowance/(write-back) for doubtful debts	**13,020**	25,688	**(240)**	(522)
Net bad debt written off	**2,120**	6,483	**2**	141
Gain on disposal of:				
- property, plant and equipment	**-**	(22)	**-**	(3)
- intangible assets	**(35)**	-	**-**	-
- quoted unit trust	**(2,742)**	-	**(2,742)**	-
- unquoted equity shares	**-**	(81,245)	**-**	-
Realised foreign exchange gain arising from settlement of bridger loan	**-**	(63,450)	**-**	(63,450)
Property, plant and equipment written off	**1,263**	19,174	**92**	13,627
Intangible assets written off	**8,254**	18,444	**-**	-
Plantation development expenditure written off	**54**	-	**-**	-
Balance carried forward	**1,714,659**	1,569,360	**224,229**	228,462

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)				
Adjustments for: (continued)				
Balance brought forward	**1,714,659**	1,569,360	**224,229**	228,462
Inventories written off	**4,987**	7,395	**-**	-
Investment income	**(27,647)**	(30,346)	**(6,124)**	(22,218)
Share of results of:				
- associates	**(1,676)**	349	**-**	-
- joint ventures	**(14,055)**	(10,750)	**-**	-
Operating profit before working capital changes	**1,676,268**	1,536,008	**218,105**	206,244
(Increase)/decrease in inventories	**(22,550)**	29,802	**-**	-
Decrease/(increase) in receivables	**303,313**	(388,948)	**272,936**	(123,875)
Decrease in payables	**(76,946)**	(366,311)	**(202,735)**	(187,222)
Decrease in concession liabilities	**(28,465)**	(26,943)	**-**	-
Decrease in provisions for liabilities	**(3,595)**	(4,383)	**(15)**	(10)
Changes in related company balances	**-**	-	**157,772**	(1,336,850)
Cash generated from/(used in) operations	**1,848,025**	779,225	**446,063**	(1,441,713)
Taxes and zakat paid	**(77,174)**	(101,354)	**(500)**	-
Net cash generated from/(used in) operating activities	**1,770,851**	677,871	**445,563**	(1,441,713)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of:				
- property, plant and equipment	**(62,135)**	(71,463)	**(23,215)**	(44,473)
- intangible assets	**(368,379)**	(229,211)	**-**	-
- quoted unit trust	**(2,844)**	(49,812)	**(2,780)**	(80,646)
- quoted bonds	**-**	(5,000)	**-**	(5,000)
- plantation development expenditure	**(6,273)**	(12,995)	**-**	-
Proceeds from disposal of:				
- property, plant and equipment	**-**	22	**-**	3
- intangible assets	**70**	-	**-**	-
- quoted unit trust	**111,200**	-	**111,200**	-
- unquoted equity shares	**-**	290,400	**-**	-
Balance carried forward	**(328,361)**	(78,059)	**85,205**	(130,116)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES (CONTINUED)				
Balance brought forward	**(328,361)**	(78,059)	**85,205**	(130,116)
Acquisition of a subsidiary	**-**	(1,182,856)	**-**	-
Additional investment in an associate	**-**	(3,000)	**-**	-
Investment income received	**27,647**	30,346	**6,124**	22,218
Interest received	**3,826**	8,698	**686**	982
Dividend received from:				
- an associate	**-**	7,200	**-**	-
- joint ventures	**3,006**	1,494	**5,523**	4,988
- subsidiaries	**-**	-	**119,711**	119,788
Net cash (used in)/generated from investing activities	**(293,882)**	(1,216,177)	**217,249**	17,860
CASH FLOWS FROM FINANCING ACTIVITIES				
Share issuance expenses for right issue	**-**	(6,940)	**-**	(6,940)
Proceeds from issuance of shares from right issue	**-**	275,308	**-**	275,308
Proceeds of share premium arising from right issue	**-**	1,040,692	**-**	1,040,692
Loan syndication fee payment	**-**	(6,988)	**-**	-
Repayment of loan	**(342,000)**	(644,032)	**(250,000)**	(250,000)
Swap payment	**(3,437)**	-	**-**	-
Repayment of bridger loan	**-**	(1,119,413)	**-**	(1,119,413)
Repayment of debenture	**-**	(209,451)	**-**	-
Concession payment	**(423,701)**	(379,705)	**-**	-
Drawdown of loans and borrowings	**-**	1,182,856	**-**	1,182,856
Interest paid	**(247,474)**	(236,346)	**(161,908)**	(163,243)
Premium on debenture	**-**	(59,169)	**-**	-
Dividends paid to shareholders of the Company	**(141,032)**	(94,606)	**(141,032)**	(94,606)
Distribution paid to Perpetual Sukuk holder	**(57,658)**	(57,500)	**(57,658)**	(57,500)
Net cash (used in)/generated from financing activities	**(1,215,302)**	(315,294)	**(610,598)**	807,154
Net increase/(decrease) in cash and cash equivalents	**261,667**	(853,600)	**52,214**	(616,699)
Effects of foreign currency translation	**23,473**	99,254	**-**	-
Cash and cash equivalents at beginning of year	**1,286,887**	2,041,233	**171,400**	788,099
Cash and cash equivalents at end of year (Note 26)	**1,572,027**	1,286,887	**223,614**	171,400

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

1. Corporate information and Operating Agreements

1.1 Corporate information

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 February 2017.

1.2 Operating Agreements

On 12 February 2009, the Group signed the following Operating Agreements between the Company, Malaysia Airports (Sepang) Sdn. Bhd. (MA (Sepang)) and the Government of Malaysia (GoM) (Operating Agreement for KLIA) and between the Company, Malaysia Airports Sdn. Bhd. (MASB) and the GoM (Operating Agreement for Designated Airports).

The Operating Agreements include the following salient terms:

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

1. Corporate information and Operating Agreements (continued)

1.2 Operating Agreements (continued)

The Operating Agreements include the following salient terms: (continued)

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

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

1.3 Concession Agreements relating to Istanbul Sabiha Gokcen Uluslararasi Havalimani Yatirim Yapim ve Isletme A.S. (ISG) and LGM Havalimani Isletmeleri Ticaret ve Turizm A.S. (LGM) operation

ISG via the Concession Agreement signed with the Undersecretariat of Defence, Turkey (the Administration) has been given the rights to operate Istanbul Sabiha Gokcen International Airport (ISGIA) for a period of 22 years commencing 1 May 2008.

The Concession Agreements include the following salient information:

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

1. Corporate information and Operating Agreements (continued)

1.3 Concession Agreements relating to Istanbul Sabiha Gokcen Uluslararasi Havalimani Yatirim Yapim ve Isletme A.S. (ISG) and LGM Havalimani Isletmeleri Ticaret ve Turizm A.S. (LGM) operation (continued)

The Concession Agreements include the following salient information: (continued)

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

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

(e) ISG is responsible for:

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

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

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2016 as described fully in Note 2.2.

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.2 Changes in accounting policies

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

On 1 January 2016, the Group and the Company adopted the following new and amended FRSs which are mandatory for annual financial periods beginning on or after 1 January 2016.

Effective for financial periods beginning on or after 1 January 2016

Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
Amendments to FRS 127: Equity Method in Separate Financial Statements
Amendments to FRS 101: Disclosure Initiatives
Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities: Applying the Consolidation Exception
FRS 14 Regulatory Deferral Accounts
Annual Improvements to FRSs 2012–2014 Cycle:

- FRS 5 Non-current Assets Held for Sale and Discontinued Operations
- FRS 7 Financial Instruments: Disclosures
- FRS 119 Employee Benefits
- FRS 134 Interim Financial Reporting

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

2.3 Standards issued but not yet effective

The standards that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Effective for financial periods beginning on or after 1 January 2017

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

Effective for financial periods beginning on or after 1 January 2018

Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
MFRS 9: Financial Instruments
MFRS 15: Revenue from Contracts with Customers

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

Effective for financial periods beginning on or after 1 January 2019

MFRS 16: Leases

Effective for annual periods to be determined by Malaysian Accounting Standards Board (MASB)

Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application except as discussed below:

<u>MFRS 9: Financial Instruments</u>
In November 2014, the Malaysian Accounting Standards Board issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

<u>MFRS 15: Revenue from Contracts with Customer</u>
MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Directors anticipate that the application of MFRS 15 will have an immaterial impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

The directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application except as discussed below: (continued)

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

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group is assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board issued a new approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is a fully IFRS-compliant framework which is applicable for all non-private entities for annual periods beginning on or after 1 January 2012, other than Transitioning Entities (TEs), which may defer adoption in view of potential changes on the horizon which may change current accounting treatments. On 8 September 2015, the Malaysian Accounting Standards Board had announced the adoption of MFRS for the TEs is deferred to 1 January 2018.

TEs are non-private entities within the scope of MFRS 141 - Agriculture and IC Interpretation 15 - Agreements for the Construction of Real Estate, including their parent, significant investor and venturer. The Group being a TE, will adopt the MFRS Framework with effect from 1 January 2018.

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

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

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

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)

- Exposure, or rights, to variable returns from its involvement with the investee, and

- The ability to use its power over the investee to affect its returns

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

- The contractual arrangement with the other vote holders of the investee

- Rights arising from other contractual arrangements

- The Group's voting rights and potential voting rights

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(a) Subsidiaries and basis of consolidation (continued)

(ii) Basis of consolidation (continued)

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

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

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

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

(iii) Transactions with non-controlling interests

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(b) Business combination

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

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

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

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

(c) Investment in associates and joint ventures

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

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

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

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

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(c) Investment in associates and joint ventures (continued)

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

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

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

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

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

(d) Intangible assets

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

(i) Concession rights

(a) Airport operation rights in Malaysia

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(d) Intangible assets (continued)

(i) Concession rights (continued)

(a) Airport operation rights in Malaysia (continued)

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

(b) Airport operations right in Turkey

As disclosed in Note 1.3, ISG via the Concession Agreement signed with the Administration has given the rights to operate ISGIA for the period of 22 years commencing 1 May 2008.

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

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

The concession rights also includes identifiable intangible asset of LGM long-term service contract with ISG to operate the food and beverage operations, CIP lounges and the hotel. The contract will expire in 2019 and MAHB intends to extend this contract until the end of the concession period in 2030.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(d) Intangible assets (continued)

(ii) Infrastructure and construction assets

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

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

(iii) Goodwill

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(e) Fair value measurement

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

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

- In the principal market for the asset or liability, or

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(e) Fair value measurement (continued)

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

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

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

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

(f) Property, plant and equipment and depreciation

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(f) Property, plant and equipment and depreciation (continued)

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

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

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

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

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

(g) Impairment of non-financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(g) Impairment of non-financial assets (continued)

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

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

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

(h) Inventories

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

(i) Plantation development expenditure

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

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

(j) Replanting expenditure

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(k) Financial assets

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(k) Financial assets (continued)

(iii) Available-for-sale financial assets

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

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

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

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

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

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

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(l) Impairment of financial assets

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

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Unquoted equity securities carried at cost

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(l) Impairment of financial assets (continued)

(iii) Available-for-sale financial assets

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

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

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

(m) Derivative financial instruments and hedging activities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

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

(n) Cash and cash equivalents

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(o) Leases

(i) As lessee

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

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

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

(ii) As lessor

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

(p) Borrowing costs

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

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

(q) Income tax and zakat

(i) Current tax

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

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(q) Income tax and zakat (continued)

(ii) Deferred tax

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(q) Income tax and zakat (continued)

(iii) Zakat

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

(iv) Goods and Services Tax (GST)

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

(r) Provisions for liabilities

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

(s) Financial liabilities

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

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

Other financial liabilities

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(s) Financial liabilities (continued)

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

(t) Concession liabilities

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

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

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

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

(u) Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution plans

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

(iii) Defined benefit plans

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

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

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

(v) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions and balances

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

(iii) Foreign operations

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

- Assets and liabilities for each statements of financial position presented are translated at the closing rate prevailing at the reporting date;

- Income and expenses for each profit or loss are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(v) Foreign currencies (continued)

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

	2016 RM	2015 RM
United States Dollar (USD)	**4.49**	4.29
Great Britain Pound (GBP)	**5.51**	6.37
Singapore Dollar (SGD)	**3.10**	3.04
Euro (EUR)	**4.72**	4.69
Switzerland Swiss Franc (CHF)	**4.40**	4.33
China Renminbi (RMB)	**0.64**	0.68
Hong Kong Dollar (HKD)	**0.58**	0.55
Qatar Riyal (QAR)	**1.26**	1.19
Australian Dollar (AUD)	**3.24**	3.14

(w) User Fee

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

(x) Utilisation Fee

The Utilisation Fee liability represents the present value of amounts payable to the Administration in accordance with the Concession Agreement for the operation of the ISGIA for 20 years plus 22 months of extension period. The Utilisation Fee liability is discounted to present value, at a rate of 10.3%.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(y) Revenue recognition

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

(i) Dividend income

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

(ii) Sale of goods

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

(iii) Revenue from services

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

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

(iv) Marginal Cost Support Sum (MARCS)

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

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

As stipulated in the Operating Agreement, the Benchmark Passenger Service Charge (PSC) rate is revised in every 5 years based on the agreed calculation. The 2nd Tariff Cycle revision became effective on 12 February 2014. MARCS PSC of RM106,216,000 (2015: RM87,659,000) was recognised during the year for the difference between actual PSC and Benchmark PSC rate.

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(y) Revenue recognition (continued)

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

(v) Revenue from hotel operations

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

(vi) Interest income

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

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

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

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

(aa) Concession contracts

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

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

- the grantor controls or regulates what services the operator must provide with the infrastructure/assets, to whom it must provide them, and at what price; and

- the grantor controls the significant residual interest in the infrastructure/assets at the end of the term of the arrangement.

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(aa) Concession contracts (continued)

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

(ab) IC Interpretation 12 Service Concession Arrangements

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

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

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

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

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

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

(ac) Equity instruments and related expenses

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

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

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

2.5 Significant accounting judgements and estimates

(a) Critical judgements made in applying accounting policies

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

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

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

(ii) Amount due from GoM

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.5 Significant accounting judgements and estimates (continued)

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

(ii) Amount due from GoM (continued)

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

- The present value of the consideration of the racing circuit option is calculated on the assumption that the amount expected to be received by the Group at the end of the option period in April 2019.

- The consideration of the racing circuit is based on the book value of the circuit as at 31 December 2010 and subsequent to the present value of the amount classified as long-term debts (receivable from the GoM).

- The discounted rate used of 4.55% which approximated the prevailing market rates at the date of inception and subsequent changes to the accretion of the present value is accounted for as interest income relating to loans and receivables in future years.

Details of amounts due from and to GoM are disclosed in Notes 22 and 35.

(iii) Revenue recognition

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

As at reporting date, the amount of accrued revenue for aeronautical and commercial debtors as disclosed in Note 22 comprised approximately 4% (2015: 6%) of the total revenue.

(iv) Land use rights

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

(v) Impairment of available-for-sale investments

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. Significant accounting policies (continued)

2.5 Significant accounting judgements and estimates (continued)

(b) Key sources of estimation uncertainty

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

(i) Income taxes

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

(ii) Deferred taxation

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

(iii) Airline incentives

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

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

Futher information on airline incentives are disclosed in Note 35(c).

(iv) Impairment of investments in associates

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

NOTES TO THE FINANCIAL STATEMENTS
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2. Significant accounting policies (continued)

2.5 Significant accounting judgements and estimates (continued)

(b) Key sources of estimation uncertainty (continued)

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

(v) Mark-up rate for the construction

The airport operations right in exchange for the construction services provided is recognised at the fair value of the consideration receivable for the construction services delivered. The fair value of the consideration receivable for the construction services delivered is calculated by including certain mark-up, estimated to reflect a margin consistent with other similar construction work where possible, on the actual costs incurred. Mark-up rate used in calculating the fair value of the consideration receivable estimated by the Group on the prior years construction project is 4.5% and 7.5% for construction projects in Malaysia and 10% for construction project in ISG as disclosed in Note 16.

(vi) Concession liabilities

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

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

6.0% per annum over the period of 60 years ending 2069. Had the estimation of the finance charge increase or decrease by 10% of the discount rate used, the net interest charged would be higher by approximately RM64,000 or lower by RM90,000 respectively.

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

5.5% per annum over the period of 20 years ending 2018. Had the estimation of the finance charge increase or decrease by 10% of the discount rate used, the net interest charged would be higher by approximately RM334,000 or lower by RM314,000 respectively.

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

5.5% per annum over the period of 20 years ending 2033. Had the estimation of the finance charge increase or decrease by 10% of the discount rate used, the net interest charged would be higher by approximately RM2,047,000 or lower by RM2,028,000 respectively.

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

The Utilisation Fee liability represent the present value of amounts payable to the Administration in accordance with the Concession Agreement for the operation of the ISGIA for 20 years plus 22 months of extension period. The Utilisation Fee liability is discounted to present value, at a rate of 10.3%.

NOTES TO THE FINANCIAL STATEMENTS
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3. Revenue

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Airport operations:				
- Airport services:				
- Aeronautical	**2,133,877**	1,947,532	**-**	-
Less: Airline incentives	**(71,292)**	(48,184)	**-**	-
	2,062,585	1,899,348	**-**	-
- Non-aeronautical	**1,110,220**	1,046,500	**-**	-
- Duty free and non-dutiable goods	**740,019**	672,520	**-**	-
Non-airport operations:				
- Agriculture and horticulture	**34,341**	29,915	**-**	-
- Hotel operations	**92,839**	86,017	**-**	-
- Project and repair maintenance	**132,764**	135,907	**-**	-
Dividend income from subsidiaries	**-**	-	**119,711**	119,788
	4,172,768	3,870,207	**119,711**	119,788

Included in aeronautical revenue is MARCS sum income of RM203,435,000 (2015: RM144,181,000) as disclosed in Note 2.4(y)(iv).

Included in revenue is revenue from overseas operations contributed by ISG and LGM totalling to RM958,803,000 (2015: RM919,315,000) and revenue contributed by MACS ME totalling to RM114,666,000 (2015: RM115,506,000).

4. Other income

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income:				
- Unquoted investments and staff loans	**3,826**	8,698	**686**	982
- Other loans and receivables	**32,701**	23,875	**2,487**	-
- Gain on financial instruments at fair value through profit or loss	**304**	1,083	**-**	1,033
Balance carried forward	**36,831**	33,656	**3,173**	2,015

NOTES TO THE FINANCIAL STATEMENTS
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4. Other income (continued)

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Balance brought forward	**36,831**	33,656	**3,173**	2,015
Investment income:				
Available-for-sale investments on equity instruments:				
- quoted in Malaysia	**15,219**	24,703	**5,325**	20,619
- unquoted in Malaysia	**6,256**	2,940	**-**	-
Unquoted short-term investments	**6,172**	2,703	**799**	1,599
Rental income:				
- Minimum lease payments	**13,761**	10,462	**-**	-
Gain on disposal of:				
- property, plant and equipment	**-**	22	**-**	3
- intangible assets	**35**	-	**-**	-
- quoted unit trust	**2,742**	-	**2,742**	-
- unquoted equity shares	**-**	81,245	**-**	-
Realised foreign exchange gain arising from settlement of bridger loan	**-**	63,450	**-**	63,450
Net realised foreign exchange gain/(loss)	**1,838**	3,765	**(202)**	(549)
Management fee charged to subsidiaries	**-**	-	**188,146**	186,489
Recoupment of expenses	**92,653**	94,946	**215,218**	218,857
Miscellaneous	**45,234**	19,181	**19,627**	13,893
	220,741	337,073	**434,828**	506,376

5. Employee benefits expense

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Wages and salaries	**476,404**	458,466	**85,746**	80,370
Bonus	**64,652**	59,420	**12,380**	15,724
Contributions to defined contribution plans	**81,035**	80,476	**16,518**	16,250
Social security contributions	**5,964**	5,565	**796**	674
Net (write-back of)/additional provision for short-term accumulating compensated absences	**(619)**	2,794	**(150)**	563
Other employee benefits	**142,827**	137,245	**23,450**	20,429
	770,263	743,966	**138,740**	134,010

NOTES TO THE FINANCIAL STATEMENTS
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5. Employee benefits expense (continued)

Included in employee benefits expense of the Group and of the Company are executive director's remuneration amounting to RM1,627,000 (2015: RM1,458,000) and RM1,627,000 (2015: RM1,458,000) respectively as further disclosed in Note 8.

6. Finance costs

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense:				
- concession payables and borrowings	**247,474**	236,347	**157,818**	162,707
- financial liabilities	**442,295**	446,335	**220**	7,043
Premium on debenture	**-**	59,169	**-**	-
	689,769	741,851	**158,038**	169,750

7. Profit before tax and zakat from continuing operations

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-executive directors' remuneration excluding benefits-in-kind (Note 8)	**2,350**	2,061	**1,970**	1,874
Auditors' remuneration:				
- statutory	**1,132**	1,132	**142**	147
- other services	**604**	594	**599**	582
User Fee expenses	**362,431**	282,059	**-**	-
Rental expenses	**114,782**	111,799	**5,815**	6,061
Depreciation of property, plant and equipment (Note 13)	**62,243**	52,087	**15,875**	11,924

NOTES TO THE FINANCIAL STATEMENTS
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7. Profit before tax and zakat from continuing operations (continued)

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Amortisation of:				
- plantation development expenditure (Note 14)	**3,227**	3,200	**-**	-
- land use rights (Note 15)	**105**	133	**-**	-
- intangible assets (Note 16)	**786,965**	846,291	**-**	-
Property, plant and equipment written off	**1,263**	19,174	**92**	13,627
Intangible assets written off	**8,254**	18,444	**-**	-
Plantation development expenditure written off	**54**	-	**-**	-
Gain on disposal of:				
- intangible assets	**(35)**	-	**-**	-
- property, plant and equipment	**-**	(22)	**-**	(3)
- quoted unit trusts	**(2,742)**	-	**(2,742)**	-
- unquoted equity shares	**-**	(81,245)	**-**	-
Impairment/(reversal of impairment) of:				
- intangible assets (Note 16)	**1,305**	(18,368)	**-**	-
- property, plant and equipment (Note 13)	**394**	-	**394**	-
Net allowance/(writeback) of doubtful debts	**13,020**	25,688	**(240)**	(522)
Inventories written off	**4,987**	7,395	**-**	-
Bad debts written off	**2,120**	6,483	**2**	141
Utility charges	**343,152**	326,295	**1,543**	1,404
Repair and maintenance costs	**343,177**	306,535	**11,617**	11,017
Legal and other professional fees	**24,004**	32,762	**13,137**	13,970

User Fee expenses amounting to RM362,431,000 (2015: RM282,059,000) relates to payments made to the GoM for operating rights. User Fee rates range from 10.89% to 11.18% (2015: 10.51% to 10.80%) and are calculated on gross revenues by the Group from activities carried out at KLIA and other airports excluding reimbursements, interest income, recovery of bad debts or inter-company transactions.

NOTES TO THE FINANCIAL STATEMENTS
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8. Directors' remuneration

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Executive director's remuneration (Note 5):				
- Other emoluments	**1,627**	1,458	**1,627**	1,458
Non-executive directors' remuneration (Note 7):				
- Fees	**1,038**	1,035	**1,038**	1,035
- Other emoluments	**1,312**	1,026	**932**	839
	2,350	2,061	**1,970**	1,874
Total directors' remuneration	**3,977**	3,519	**3,597**	3,332
Estimated money value of benefits-in-kind	**194**	237	**194**	237
Total directors' remuneration including benefits-in-kind	**4,171**	3,756	**3,791**	3,569

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Executive:				
- Salaries and other emoluments	**1,055**	993	**1,055**	993
- Bonus	**336**	253	**336**	253
- Defined contribution plans	**236**	212	**236**	212
- Estimated money value of benefits-in-kind	**98**	131	**98**	131
	1,725	1,589	**1,725**	1,589
Non-executive:				
- Fees	**1,038**	1,035	**1,038**	1,035
- Allowances	**1,312**	1,026	**932**	839
- Estimated money value of benefits-in-kind	**96**	106	**96**	106
	4,171	3,756	**3,791**	3,569

NOTES TO THE FINANCIAL STATEMENTS
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8. Directors' remuneration (continued)

Included in the Group non-executive directors' allowance was the subsidiaries directors' allowance of RM380,000 (2015: RM187,000).

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

	Number of directors	
	2016	**2015**
Executive director:		
RM1,550,001 – RM1,600,000	**-**	1
RM1,600,001 – RM1,650,000	**-**	-
RM1,650,001 – RM1,700,000	**-**	-
RM1,700,001 – RM1,750,000	**1**	-
Non-executive directors:		
Less than RM50,000	**4**	5
RM50,001 – RM100,000	**2**	2
RM100,001 – RM150,000	**-**	1
RM150,001 – RM200,000	**3**	3
RM200,001 – RM250,000	**2**	3
RM250,001 – RM300,000	**2**	-
RM300,001 – RM350,000	**-**	-
RM350,001 – RM400,000	**-**	1
RM400,001 – RM450,000	**1**	-

NOTES TO THE FINANCIAL STATEMENTS
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9. Taxation and zakat

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current income tax:				
- Malaysian income tax	**107,632**	83,439	**151**	207
- Foreign tax	**5,558**	8,162	**-**	-
- (Over)/under provision of income tax in prior years	**(28,310)**	9,223	**(208)**	(104)
	84,880	100,824	**(57)**	103
Deferred tax (Note 24):				
Relating to origination and reversal of temporary differences	**9,193**	(75,881)	**(350)**	(1,638)
Relating to reduction in Malaysia income tax rate	**-**	955	**-**	11
Under/(over) provision of deferred tax in prior years	**11,344**	(22,587)	**(2,745)**	(14,268)
	20,537	(97,513)	**(3,095)**	(15,895)
	105,417	3,311	**(3,152)**	(15,792)
Income tax expense/(credit)	**105,417**	3,311	**(3,152)**	(15,792)
Zakat	**4,740**	2,507	**324**	-
Total income tax expense/(credit) and zakat	**110,157**	5,818	**(2,828)**	(15,792)

NOTES TO THE FINANCIAL STATEMENTS
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9. Taxation and zakat (continued)

Reconciliation between tax expense/(credit) and accounting profit

The reconciliations between tax expense/(credit) and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 are as follows:

	2016 RM'000	2015 RM'000
Group		
Profit/(loss) before tax and zakat from:		
Continuing operations	**183,331**	45,939
Discontinued operation (Note 10)	**-**	(9)
	183,331	45,930
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	**43,999**	11,483
Different tax rates in other countries	**4,324**	(5,466)
Relating to reduction in Malaysia tax rate	**-**	955
Tax effects of share of results of associates and joint ventures	**(3,775)**	(2,600)
Income not subject to tax	**(47,258)**	(51,815)
Expenses not deductible for tax purposes	**71,169**	156,537
Deferred tax asset recognised on investment tax allowances	**-**	(29,520)
Utilisation of other deductible temporary differences	**(45,674)**	(44,399)
Utilisation of previously unrecognised tax losses	**-**	27,866
Deferred tax assets not recognised in respect of current year's tax losses, unabsorbed capital allowances and other deductible temporary differences	**99,598**	(46,366)
(Over)/under provision of income tax in prior years	**(28,310)**	9,223
Under/(over) provision of deferred tax in prior years	**11,344**	(22,587)
Income tax expense for the year	**105,417**	3,311
Company		
Profit before tax and zakat	**181,367**	223,223
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	**43,528**	55,806
Relating to reduction in Malaysia tax rate	**-**	11
Income not subject to tax	**(49,171)**	(67,023)
Expenses not deductible for tax purposes	**5,444**	9,786
Overprovision of income tax in prior years	**(208)**	(104)
Overprovision of deferred tax in prior years	**(2,745)**	(14,268)
Income tax credit for the year	**(3,152)**	(15,792)

NOTES TO THE FINANCIAL STATEMENTS
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9. Taxation and zakat (continued)

Current income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

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

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

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

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

The matter was called up for hearing on 5 May 2016 and ATOZ withdrew the Intervener Application. Accordingly, the court ordered SSHM to be wound up. On 27 October 2016, the Group has appointed a private liquidator and is currently carrying out the liquidation process.

As at 31 December 2016, the assets and liabilities of SSHM have been presented on the consolidated statements of financial position as asset and liability held for disposal and results from SSHM is presented separately on the statement of comprehensive income as a discontinued operation.

An analysis of the results of the discontinued operation is as follows:

	Group	
	2016 RM'000	2015 RM'000
Expenses	-	(9)
Loss before tax of a discontinued operation	-	(9)
Income tax expense	-	-
Loss for the year from a discontinued operation	-	(9)

NOTES TO THE FINANCIAL STATEMENTS
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10. Discontinued operation and disposal group classified as held for disposal (continued)

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

	Group	
	2016 RM'000	2015 RM'000
Asset		
Cash and cash equivalents	**151**	151
Asset of disposal group classified as held for disposal	**151**	151
Liability		
Trade and other payables	**19**	19
Liability of disposal group classified as held for disposal	**19**	19

11. Earnings/(loss) per share

(a) Basic

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

	Group	
	2016 RM'000	2015 RM'000
Profit from continuing operations attributable to ordinary equity holders of the Company	**73,174**	40,121
Distribution to Perpetual Sukuk holders	**(57,658)**	(57,500)
Net profit/(loss) from continuing operations attributable to owners of the parent	**15,516**	(17,379)
Loss from a discontinued operation attributable to ordinary equity holders of the Company	**-**	(9)
Profit/(loss) attributable to ordinary equity holders of the Company	**15,516**	(17,388)

NOTES TO THE FINANCIAL STATEMENTS
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11. Earnings/(loss) per share (continued)

(a) Basic (continued)

	Group	
	2016	2015
Weighted average number of ordinary shares in issue (‘000)	**1,659,192**	1,590,754

	Group	
	2016 sen	2015 sen
Basic earnings/(loss) per share for:		
- Basic, for profit for the year	**0.94**	(1.09)

(b) Diluted

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

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

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12. Dividends

	Dividends in respect of year		Dividends recognised in year	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Recognised during the year:				
Interim dividend for 2016:				
on 1,659,191,829 ordinary shares				
- 4.00% on single-tier (4.00 sen net per ordinary share)	**66,368**	-	**66,368**	-
Final dividend for 2015:				
on 1,659,191,829 ordinary shares				
- 4.50% on single-tier (4.50 sen net per ordinary share)	**-**	74,664	**74,664**	-
Interim dividend for 2015:				
on 1,659,191,829 ordinary shares				
- 4.00% on single-tier (4.00 sen net per ordinary share)	**-**	66,368	**-**	66,368
Final dividend for 2014:				
on 1,651,849,607 ordinary shares				
- 3.60% on single-tier (3.60 sen net per ordinary share)	**-**	-	**-**	59,467
Proposed for approval at forthcoming Annual General Meeting (not recognised as liability as at 31 December 2016):				
Final dividend for 2016:				
on 1,659,191,829 ordinary shares				
- 6.00% on single-tier (6.00 sen net per ordinary share)	**99,552**	-	**-**	-
	165,920	141,032	**141,032**	125,835

NOTES TO THE FINANCIAL STATEMENTS
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12. Dividends (continued)

Proposed Final Dividend

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2016, of 6.00% on 1,659,191,829 ordinary shares on single-tier basis, with a total quantum of RM99,552,000, will be proposed for shareholders' approval.

Dividend Reinvestment Plan (DRP)

The DRP was approved by the Shareholders at the Extraordinary General Meeting held on 30 November 2012. The DRP provides Shareholders an option to elect to re-invest their cash dividend(s) declared by the Company (whether interim, final, special or any other cash dividend) (Dividend(s)) in new ordinary shares of RM1 each in MAHB (MAHB Shares).

Details of the DRP are disclosed in Note 27.

Dividend paid during financial year

A single-tier final dividend of 4.50 sen per ordinary share in respect of the financial year ended 31 December 2015 was approved by the Shareholders at its Annual General Meeting held on 27 April 2016. The final dividend amounting to RM74,664,000 was paid on 3 June 2016.

A single-tier interim dividend of 4.00 sen per ordinary share in respect of the financial year ended 31 December 2016 was declared on 28 July 2016. The interim dividend amounting to RM66,368,000 was paid in full on 26 August 2016.

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13. Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

13. Property, plant and equipment (continued)

	Property and buildings RM'000	Hotel property RM'000	Safety equipment and motor vehicles RM'000	Office, communication and electronic equipment, furniture and fittings RM'000	Plant and machinery, crockery, glassware, cutlery and linen RM'000	Capital work-in-progress RM'000	Total RM'000
Group (continued)							
At 31 December 2015							
Cost							
At 1 January 2015	119,667	120,282	6,438	360,797	30,991	48,583	686,758
Additions	-	234	424	27,195	407	43,203	71,463
Disposal	-	-	(95)	(999)	(159)	-	(1,253)
Written off	-	-	-	(11,796)	(4,410)	(12,927)	(29,133)
Transfers	47,875	208	-	6,855	2,092	(57,030)	-
Reclassified to intangible assets	-	-	-	-	-	(2,310)	(2,310)
Foreign currency translation	18	-	150	3,726	-	-	3,894
At 31 December 2015	167,560	120,724	6,917	385,778	28,921	19,519	729,419
Accumulated depreciation and impairment							
At 1 January 2015	27,140	52,542	1,128	218,070	20,283	2,496	321,659
Charge for the year (Note 7)	5,660	4,065	530	38,440	3,392	-	52,087
Disposal	-	-	(95)	(999)	(159)	-	(1,253)
Written off	-	-	-	(7,104)	(2,855)	-	(9,959)
Foreign currency translation	8	-	107	2,700	-	-	2,815
At 31 December 2015	32,808	56,607	1,670	251,107	20,661	2,496	365,349
Analysed as:							
Accumulated depreciation	32,808	56,607	1,670	250,355	20,661	-	362,101
Accumulated impairment loss	-	-	-	752	-	2,496	3,248
	32,808	56,607	1,670	251,107	20,661	2,496	365,349
Net carrying amount	134,752	64,117	5,247	134,671	8,260	17,023	364,070

NOTES TO THE FINANCIAL STATEMENTS
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13. Property, plant and equipment (continued)

	Building RM'000	Motor vehicles RM'000	Office equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Company					
At 31 December 2016					
Cost					
At 1 January 2016	32,568	2,200	98,794	12,827	146,389
Additions	-	-	577	22,638	23,215
Transfers	258	-	18,615	(18,873)	-
Written off	-	-	(1,220)	-	(1,220)
At 31 December 2016	32,826	2,200	116,766	16,592	168,384
Accumulated depreciation and impairment					
At 1 January 2016	8,718	1,529	69,465	-	79,712
Charge for the year (Note 7)	1,375	-	14,500	-	15,875
Written off	-	-	(1,128)	-	(1,128)
Impairment	-	-	-	394	394
At 31 December 2016	10,093	1,529	82,837	394	94,853
Analysed as:					
Accumulated depreciation	10,093	1,529	82,837	-	94,459
Accumulated impairment loss	-	-	-	394	394
	10,093	1,529	82,837	394	94,853
Net carrying amount	22,733	671	33,929	16,198	73,531
At 31 December 2015					
Cost					
At 1 January 2015	32,568	2,200	91,457	38,809	165,034
Additions	-	-	10,220	34,253	44,473
Transfers	-	-	129	(129)	-
Written off	-	-	(3,012)	(12,927)	(15,939)
Disposal	-	-	-	(47,179)	(47,179)
At 31 December 2015	32,568	2,200	98,794	12,827	146,389
Accumulated depreciation					
At 1 January 2015	7,353	1,392	61,355	-	70,100
Charge for the year (Note 7)	1,365	137	10,422	-	11,924
Written off	-	-	(2,312)	-	(2,312)
At 31 December 2015	8,718	1,529	69,465	-	79,712
Net carrying amount	23,850	671	29,329	12,827	66,677

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

13. Property, plant and equipment (continued)

Included in the cost of property, plant and equipment of the Group and of the Company are cost of fully depreciated assets which are still in use amounting to RM199,570,000 (2015: RM176,824,000) and RM53,278,000 (2015: RM36,933,000) respectively.

14. Plantation development expenditure

	Group	
	2016 RM'000	2015 RM'000
Cost		
At 1 January	**96,401**	83,406
Additions	**6,273**	12,995
Written off	**(101)**	-
At 31 December	**102,573**	96,401
Accumulated amortisation		
At 1 January	**32,703**	29,503
Charge for the year (Note 7)	**3,227**	3,200
Written off	**(47)**	-
At 31 December	**35,883**	32,703
Net carrying amount	**66,690**	63,698

15. Land use rights

	Group	
	2016 RM'000	2015 RM'000
Net carrying amount		
At 1 January	**7,246**	7,379
Amortisation during the year (Note 7)	**(105)**	(133)
At 31 December	**7,141**	7,246
Analysed as:		
Short-term land use rights	**1,504**	1,538
Long-term land use rights	**5,637**	5,708
	7,141	7,246

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16. Intangible assets

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

NOTES TO THE FINANCIAL STATEMENTS
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16. Intangible assets (continued)

	Concession rights RM'000	Terminal building, plant and infrastructures RM'000	Capital work-in-progress RM'000	Total RM'000
Group (continued)				
At 31 December 2015				
Cost				
At 1 January 2015	9,754,034	10,353,373	245,065	20,352,472
Additions	-	24,543	204,668	229,211
Written off	-	(29,604)	-	(29,604)
Transfers	-	128,469	(128,469)	-
Reclassified from property, plant and equipment	-	2,310	-	2,310
Foreign currency translation	804,620	204,694	-	1,009,314
At 31 December 2015	10,558,654	10,683,785	321,264	21,563,703
Accumulated amortisation and impairment				
At 1 January 2015	892,843	1,902,839	-	2,795,682
Charge for the year (Note 7)	346,016	500,275	-	846,291
Written off	-	(11,160)	-	(11,160)
Reversal of impairment (Note 7)	-	(18,368)	-	(18,368)
Foreign currency translation	59,224	49,621	-	108,845
At 31 December 2015	1,298,083	2,423,207	-	3,721,290
Analysed as:				
Accumulated amortisation	1,298,083	2,391,265	-	3,689,348
Accumulated impairment loss	-	31,942	-	31,942
	1,298,083	2,423,207	-	3,721,290
Net carrying amount	9,260,571	8,260,578	321,264	17,842,413

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16. Intangible assets (continued)

Included in the cost of intangible assets of the Group is cost of fully depreciated intangible assets which are still in use amounting to RM420,357,000 (2015: RM322,150,000).

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

17. Investments in subsidiaries

	Company	
	2016 RM'000	2015 RM'000
Unquoted shares at cost	**1,943,696**	1,943,696

Name of company	Issued and paid-up capital RM	Proportion of ownership interest held 2016 %	2015 %	Principal activities
Malaysia Airports Sdn. Bhd. (230646-U)	360,113,847	100	100	Management, operations, maintenance and provision of airport related services of designated airports in Malaysia other than KLIA and klia2.
Malaysia Airports (Sepang) Sdn. Bhd. (320480-D)	50,000,002	100	100	Management, operations, maintenance and provision of airport related services in KLIA and klia2.
Malaysia Airports (Niaga) Sdn. Bhd. (281310-V)	5,000,002	100	100	Operating duty free, non-duty free outlets and providing management services in respect of food and beverage outlets at airports.
Malaysia Airports Consultancy Services Sdn. Bhd. (MACS) (375245-X)	500,002	100	100	Provision of maintenance and technical services in connection with the airport industry.
Malaysia Airports (Properties) Sdn. Bhd. (MAP) (484656-H)	2	100	100	Provision of non-passenger related services which involves property management and establishing fixed asset requirements.

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17. Investments in subsidiaries (continued)

Name of company	Issued and paid-up capital RM	Proportion of ownership interest held 2016 %	2015 %	Principal activities
MAB Agriculture-Horticulture Sdn. Bhd. (467902-D)	10,000,000	100	100	Cultivation and selling of oil palm and other agricultural products, and engaging in horticulture activities.
K.L. Airport Hotel Sdn. Bhd. (330863-D)	10,000,000	100	100	Owner of the hotel known as Sama-Sama Hotel and Sama-Sama Express KL International Airport and Sama-Sama Express klia2.
- preference shares	900,000			
Malaysia Airports Technologies Sdn. Bhd. (512262-H)	1,150,002	100	100	Operations and maintenance services of Information and Communication Technology business ventures.
Malaysia Airports (Mauritius) Pte. Ltd. @	USD1,000	100	100	Investment holding.
MAHB (Mauritius) Pte. Ltd. @	USD2	100	100	Investment holding.
Eraman (Malaysia) Sdn. Bhd. (324329-K)	2	100	100	Dormant. Intended principal activity is general trading.
Malaysia International Aerospace Centre Sdn. Bhd. (438244-H)	2	100	100	Planning, management and marketing for the development of Malaysia International Aerospace Centre at Sultan Abdul Aziz Shah Airport and other airports in Malaysia.
Airport Ventures Sdn. Bhd. (512527-U)	2	100	100	Investment holding.
Malaysia Airports MSC Sdn. Bhd. (MAMSC) (516854-V)	500,000	100	100	Investment holding.
Malaysia Airports (Labuan) Pte. Ltd. (LL05298)	USD1,000	100	100	Investment holding.

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17. Investments in subsidiaries (continued)

Name of company	Issued and paid-up capital RM	Proportion of ownership interest held 2016 %	2015 %	Principal activities
Urusan Teknologi Wawasan Sdn. Bhd. (459878-D)	750,000	100	100	Provision of mechanical, electrical and civil engineering services.
Malaysia Airports Capital Berhad (906593-U)	2	100	100	Investment holding.
Malaysia Airports Capital (Labuan) Ltd. (LL07679)	USD2	100	100	Investment holding.
MA Construction (Labuan) Private Limited (LL08348)	USD1,000	100	100	Investment holding.
Malaysia Airports Consultancy Services Middle East LLC @ ^^ (62645)	Qatar Riyal 200,000	49	49	Facilities Maintenance Services at airports.
Sama-Sama Hospitality Management Sdn. Bhd. (SSHM) (1029991-A)	100	51	51	Ceased operation.
Malaysia Airports Cities Sdn. Bhd. (MA Cities) (1114062-X)	3,000	100	100	Investment holding.
Istanbul Sabiha Gokcen Uluslararasi Havalimani Yatirim Yapim ve Isletme A.S. * @ **	€178,741,000	100	100	Operation, management and development and provision of airport related services.
LGM Havalimani Isletmeleri Ticaret ve Turizm A.S. * @ **	€209,037	100	100	Provision of management services in respect of transportation, parking, food and beverages, cleaning at the airport and construction of hotel and car park within the airport.

NOTES TO THE FINANCIAL STATEMENTS
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17. Investments in subsidiaries (continued)

Name of company	Issued and paid-up capital RM	Proportion of ownership interest held 2016 %	2015 %	Principal activities
Istanbul Sabiha Gokcen Uluslararasi Havalimani Yer Hizmetleri A.S. @	€2,420,582	60.8 ^	60.8 ^	Provision of ground handling services. Ceased operations.
KLIA Aeropolis Sdn. Bhd. (KLIA Aeropolis) ^^^ (1212392-H)	101	100	-	Investment holding.

@ Audited by a member firm of Ernst & Young Global

* Effective interest held in each subsidiary through:

	2016	2015
Company	**20%**	20%
MAMSC	**40%**	40%
MA Cities	**40%**	40%
	100%	100%

** Investment in ISG with carrying amount of RM674,983,000 (2015: RM670,608,000) is pledged to financial institutions for credit facilities granted to the subsidiaries.

^ 51% shareholding held through ISG.

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

^^^ KLIA Aeropolis was incorporated on 14 December 2016 and is a wholly owned subsidiary of MAHB.

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18. Investments in associates

	Group	
	2016 **RM'000**	**2015** **RM'000**
Unquoted shares at cost:		
- outside Malaysia	**34,268**	34,268
- in Malaysia	**23,640**	23,640
	57,908	57,908
Share of post-acquisition reserve	**59,922**	58,246
Impairment of investment	**(81,669)**	(81,669)
	36,161	34,485
Analysed as:		
Unquoted shares at cost:		
At 1 January	**57,908**	54,908
Additional investment	**-**	3,000
At 31 December	**57,908**	57,908
Share of post-acquisition reserve:		
At 1 January	**58,246**	65,795
Share of results	**1,676**	(349)
Dividend received	**-**	(7,200)
At 31 December	**59,922**	58,246

GMR Male International Airport Limited

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

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

NOTES TO THE FINANCIAL STATEMENTS
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18. Investments in associates (continued)

GMR Male International Airport Limited (continued)

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

On 25 October 2016, the arbitration panel had granted an order for MACL to pay USD 208,100,000 equivalent to RM865,696,000 as liquidated damages to GMR Male. However, MACL had paid a full amount of USD 271,000,000 equivalent to RM1,127,360,000 (including the interest). These funds are expected to be utilised for the settlement of GMR Male's bank borrowings, creditors and other accrued expenses.

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

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

MFMA Development Sdn. Bhd.

On 21 August 2013, MAHB has entered into a Joint Venture Agreement with MA (Sepang), Mitsui Fudosan Co. Ltd. (MF) and Retail Investment One Pte. Ltd. (RI One), to participate in a joint venture company under the name of MFMA Development Sdn. Bhd. (MFMA) for the development operation and maintenance of a Factory Outlet Centre and its complementary components known as Mitsui Outlet Park KLIA. MFMA was incorporated on 26 February 2013. The issued share capital of MFMA amounting to RM2,800,000 in which 30% is held by MA (Sepang) and 70% by RI One. In the previous year, MFMA had further increased the share capital to RM76,800,000 of which 30% is held by MA (Sepang) and 70% by RI One.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

18. Investments in associates (continued)

Details of the associates are as follows:

Name of associate	Country of incorporation	Issued and paid-up capital	Proportion of ownership interest held 2016 %	2015 %	Financial year end	Principal activities
Held through a subsidiary:						
GMR Male International Airport Private Limited	Republic of Maldives	USD30,050,094	23	23	31 December	Operation, management and development and provision of airport related services. However, the entity has ceased operations.
Kuala Lumpur Aviation Fuelling System Sdn. Bhd. (KAF)	Malaysia	RM3,000,000	20	20	31 December	Development, management and operation of aviation fuelling system at KLIA.
MFMA Development Sdn. Bhd. *	Malaysia	RM76,800,000	30	30	31 December	Development operation and maintenance of a Factory Outlet Centre and its complementary components known as Mitsui Outlet Park KLIA.

* In the previous year, the Group had further increased its investment in MFMA amounting to RM3,000,000.

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31 DECEMBER 2016

18. Investments in associates (continued)

Details of the associates are as follows: (continued)

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

	Group	
	2016 RM'000	**2015 RM'000**
Assets and liabilities		
Current assets	**19,175**	17,173
Non-current assets	**199,190**	201,353
Current liabilities	**(34,832)**	(22,758)
Non-current liabilities	**(88,030)**	(104,822)
Equity	**95,503**	90,946
Cost of investment	**600**	600
Results		
Revenue	**59,254**	63,769
Cost of sales	**(24,473)**	(25,662)
Other income	**1,168**	2,294
Administrative expenses	**(25,969)**	(17,557)
Finance costs	**(3,584)**	(4,826)
Profit before tax for the year	**6,396**	18,018
Income tax	**(1,991)**	(4,788)
Profit for the year	**4,405**	13,230
Group's share of profit for the year	**881**	2,646

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

18. Investments in associates (continued)

Details of the associates are as follows: (continued)

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

	Group	
	2016 RM'000	**2015 RM'000**
Assets and liabilities		
Current assets	**99,219**	35,603
Non-current assets	**182,760**	228,129
Current liabilities	**(224,661)**	(21,933)
Non-current liabilities	**-**	(187,131)
Equity	**57,318**	54,668
Cost of investment	**23,040**	23,040
Results		
Revenue	**49,079**	30,319
Cost of sales	**(21,410)**	(20,266)
Other income	**8,695**	33,215
Administrative expenses	**(33,713)**	(53,249)
Profit/(loss) before tax for the year	**2,651**	(9,981)
Income tax	**-**	-
Profit/(loss) for the year	**2,651**	(9,981)
Group's share of profit/(loss) for the year	**795**	(2,995)

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31 DECEMBER 2016

18. Investments in associates (continued)

Details of the associates are as follows: (continued)

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

	Group 2016 RM'000	Group 2015 RM'000
Asset and liabilities		
Current assets	**166,641**	228,217
Current liabilities	**(235,883)**	(774,788)
Non-current liabilities	**(23,107)**	(158,787)
Equity	**(92,349)**	(705,358)
Cost of investment	**34,268**	34,268
Results		
Revenue	**66,584**	-
Administrative expenses	**(82,872)**	(56,756)
Finance (costs)/income	**(23,804)**	4,856
Loss before tax for the year	**(40,092)**	(51,900)
Income tax	**(5,250)**	(21)
Loss for the year	**(45,342)**	(51,921)
Group's share of loss for the year *	**-**	-

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

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19. Investments in joint ventures

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted shares at cost:				
- in Malaysia	**53,718**	53,718	**53,718**	53,718
Share of post-acquisition reserve	**29,002**	17,953	**-**	-
	82,720	71,671	**53,718**	53,718
Analysed as:				
Unquoted shares at cost:				
At 1 January/31 December	**53,718**	53,718	**53,718**	53,718
Share of post-acquisition reserve:				
At 1 January	**17,953**	8,697	**-**	-
Share of results	**14,055**	10,750	**-**	-
Dividend received	**(3,006)**	(1,494)	**-**	-
At 31 December	**29,002**	17,953	**-**	-

Details of the joint ventures are as follows:

Name of entity	Country of incorporation	Issued and paid-up capital	Effective interest held 2016 %	Effective interest held 2015 %	Financial year end	Principal activities
Held by the Company:						
Segi Astana Sdn. Bhd.(SASB)*	Malaysia	RM106,060,000	**30**	30	31 December	Development, management and operations of property.
Airport Cooling Energy Supply Sdn. Bhd. (ACES)**	Malaysia	RM19,040,000	**23**	23	31 August	Development, management and operations of chilled water plant.
- redeemable preference shares		RM761,600				

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

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

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19. Investments in joint ventures (continued)

Details of the joint ventures are as follows: (continued)

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

	Group 2016 RM'000	Group 2015 RM'000
Assets and liabilities		
Current assets	**99,741**	74,819
Non-current assets	**589,310**	606,743
Current liabilities	**(133,304)**	(113,191)
Non-current liabilities	**(427,036)**	(459,804)
Equity	**128,711**	108,567
Cost of investment	**31,818**	31,818
Results		
Revenue	**124,800**	118,702
Cost of sales	**(30,326)**	(27,540)
Other income	**13,073**	10,535
Administrative expenses	**(46,346)**	(31,963)
Finance costs	**(34,442)**	(56,875)
Profit before tax for the year	**26,759**	12,859
Income tax	**(6,724)**	113
Profit for the year	**20,035**	12,972
Group's share of profit for the year	**6,011**	3,892

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

19. Investments in joint ventures (continued)

Details of the joint ventures are as follows: (continued)

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

	Group	
	2016 RM'000	**2015 RM'000**
Assets and liabilities		
Current assets	**75,477**	72,515
Non-current assets	**365,347**	368,304
Current liabilities	**(37,632)**	(38,666)
Non-current liabilities	**(212,066)**	(231,915)
Equity	**191,126**	170,238
Cost of investment	**21,900**	21,900
Results		
Revenue	**75,695**	76,697
Cost of sales	**(17,182)**	(20,194)
Other income	**1,015**	1,277
Administrative expenses	**(1,210)**	(1,395)
Finance costs	**(12,876)**	(14,702)
Profit before tax for the year	**45,442**	41,683
Income tax	**(10,467)**	(11,866)
Profit for the year	**34,975**	29,817
Group's share of profit for the year	**8,044**	6,858

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20. Available-for-sale investments (AFS)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Quoted bonds in Malaysia at fair value	**5,000**	4,928	**5,000**	4,928
Quoted unit trust in Malaysia at fair value	**185,958**	288,676	**183,416**	286,241
AFS at fair value	**190,958**	293,604	**188,416**	291,169
Unquoted shares at cost*:				
- in Malaysia	**254**	254	**-**	-
- outside Malaysia**	**43,517**	41,486	**-**	-
AFS at cost	**43,771**	41,740	**-**	-
Total AFS investments	**234,729**	335,344	**188,416**	291,169

Movement in AFS investments is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	**335,344**	467,379	**291,169**	198,679
Additions	**2,844**	54,812	**2,780**	85,646
Fair value adjustment	**2,968**	7,178	**2,925**	6,844
Disposals	**(108,458)**	(209,155)	**(108,458)**	-
Foreign currency translation	**2,031**	15,130	**-**	-
At 31 December	**234,729**	335,344	**188,416**	291,169

Unquoted shares of RM31,463,000 (2015: RM28,620,000) of the Group are pledged as security in respect of certain agreements entered into by the Group.

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

** In the previous year, the Group has disposed of its entire 10% equity interest in Delhi International Airport Private Limited (DIAL) at a sale consideration of USD 80,000,000, equivalent to RM290,400,000.

NOTES TO THE FINANCIAL STATEMENTS
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21. Fair value measurement

Fair value measurement hierarchy for assets:

		Fair value measurement using		
	Total RM'000	Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
As at 31 December 2016				
Available-for-sale financial investment (Note 20)				
Quoted bond	**5,000**	**-**	**5,000**	**-**
Quoted unit trust	**185,958**	**-**	**185,958**	**-**
Unquoted equity shares	**43,771**	**-**	**-**	**43,771**
	234,729	**-**	**190,958**	**43,771**
As at 31 December 2015				
Available-for-sale financial investment (Note 20)				
Quoted bond	4,928	-	4,928	-
Quoted unit trust	288,676	-	288,676	-
Unquoted equity shares	41,740	-	-	41,740
	335,344	-	293,604	41,740

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

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

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

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22. Trade and other receivables

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Current				
Trade receivables				
Third parties	**499,813**	721,044	**-**	-
Due from GoM	**167,720**	156,900	**-**	-
Accrued revenue	**158,264**	222,904	**-**	-
	825,797	1,100,848	**-**	-
Less: Allowance for doubtful debts				
Third parties	**(86,432)**	(74,256)	**-**	-
Trade receivables, net	**739,365**	1,026,592	**-**	-
Other receivables				
Due from GoM	**37,736**	-	**15,320**	-
Amounts due from subsidiaries	**-**	-	**2,314,203**	2,495,935
Staff loans (Note 23)	**3,572**	5,259	**-**	-
Deposits	**10,536**	5,553	**124**	115
Prepayments	**27,489**	32,651	**3,319**	4,030
Sundry receivables	**64,516**	81,671	**13,554**	12,022
	143,849	125,134	**2,346,520**	2,512,102
Less: Allowance for doubtful debts	**(11,659)**	(10,799)	**(5,922)**	(6,162)
Other receivables, net	**132,190**	114,335	**2,340,598**	2,505,940
	871,555	1,140,927	**2,340,598**	2,505,940
Non-current				
Trade receivable				
Third party	**205**	278	**-**	-
Other receivables				
Due from GoM	**349,191**	368,359	**28,496**	41,330
Amounts due from a subsidiary	**-**	-	**4,969,993**	5,243,760
Sundry receivables	**61,715**	60,739	**-**	-
	410,906	429,098	**4,998,489**	5,285,090
	411,111	429,376	**4,998,489**	5,285,090
Total trade and other receivables (current and non-current)	**1,282,666**	1,570,303	**7,339,087**	7,791,030
Add: Cash and cash equivalents (Note 26)	**1,571,876**	1,286,736	**223,614**	171,400
Less: Prepayment	**(27,489)**	(32,651)	**(3,319)**	(4,030)
Total loans and receivables	**2,827,053**	2,824,388	**7,559,382**	7,958,400

NOTES TO THE FINANCIAL STATEMENTS
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22. Trade and other receivables (continued)

Ageing analysis of trade receivables

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

	Group	
	2016 RM'000	2015 RM'000
Neither past due nor impaired	**376,899**	368,506
1 to 30 days past due not impaired	**67,229**	113,057
31 to 60 days past due not impaired	**17,740**	62,781
61 to 90 days past due not impaired	**21,237**	54,318
91 to 120 days past due not impaired	**23,017**	31,726
More than 121 days past due not impaired	**62,258**	134,482
	191,481	396,364
Impaired	**99,358**	113,352
	667,738	878,222

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. More than 68% (2015: 77%) of the Group's trade receivables arise from customers with more than 5 years of experience with the Group.

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

Receivables that are impaired

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

	Individually impaired	
	2016 RM'000	2015 RM'000
Group		
Trade receivables		
- nominal amounts	**99,358**	113,352
Less: Allowance for doubtful debts	**(86,432)**	(74,256)
	12,926	39,096

NOTES TO THE FINANCIAL STATEMENTS
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22. Trade and other receivables (continued)

Receivables that are impaired (continued)

(a) Receivables amounting to RM8,623,000 (2015: RM3,354,000) are in respect of certain debtors who have the obligations to repay their debts but are prolonged as settlement of the outstanding balances are pending approvals. Historically, the nature for these type of debts will eventually be settled, including the possible set off against any future liabilities of the Group with the same debtors. Accordingly, no further allowance for doubtful debt is necessary.

(b) Receivables amounting to RM4,303,000 (2015: RM35,742,000) are expected to be settled by installment arrangement plan.

Movement in allowance for doubtful debts:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables				
At 1 January	**74,256**	47,706	**-**	-
Net allowance of doubtful debts (Note 7)	**12,160**	26,426	**-**	-
Foreign currency translation	**16**	124	**-**	-
At 31 December	**86,432**	74,256	**-**	-
Other receivables				
At 1 January	**10,799**	11,537	**6,162**	6,684
Net allowance/(writeback) of doubtful debts (Note 7)	**860**	(738)	**(240)**	(522)
At 31 December	**11,659**	10,799	**5,922**	6,162

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

(a) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management and bears interest at 1% per month on overdue balances. As at reporting date, the concentration of credit risk in the form of outstanding balances is mainly due to five (2015: five) customers representing approximately 49% (2015: 51%) of the total trade receivables.

NOTES TO THE FINANCIAL STATEMENTS
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22. Trade and other receivables (continued)

(b) Amounts due from subsidiaries

(i) Current

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

(ii) Non-current

Amount due from a subsidiary is unsecured and bear interest at 4.80% per annum.

(c) Sundry receivables (Non-current)

Included in sundry receivables is Value Added Tax (VAT) receivable of RM55,710,000 (2015: RM55,673,000) classified as long-term receivables. These amounts arised from the Utilisation Fee liability to the Administration, and cannot be refunded in cash or offset against other tax liabilities. ISG will be offsetting these long-term receivables when it generates such a level of revenue that the VAT payable arising would exceed VAT paid for other operational and investing activities.

(d) Prepayments

Prepayments amounting to RM15,001,000 (2015: RM17,383,000) are in respect of leasing equipment for klia2.

(e) Due from GoM

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current				
Trade receivable				
MARCS (Note 2.4(y)(iv))	**167,720**	156,900	**-**	-
Other receivable				
Debts assumed from former subsidiary	**37,736**	-	**15,320**	-
Non-current				
Other receivables				
Debts assumed from former subsidiary	**70,192**	101,802	**28,496**	41,330
Receivable on call option (Note 2.5(a)(ii))	**278,999**	266,557	**-**	-
	349,191	368,359	**28,496**	41,330
Total amount due from GoM	**554,647**	525,259	**43,816**	41,330

Other information on financial risks of trade and other receivables are disclosed in Note 41.

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23. Staff loans

	Group 2016 RM'000	Group 2015 RM'000
Staff loans	**35,282**	40,603
Less: Current portion (Note 22)	**(3,572)**	(5,259)
Non-current portion	**31,710**	35,344
Analysed as:		
Current	**3,572**	5,259
Non-current:		
Later than 1 year but not later than 2 years	**2,919**	3,085
Later than 2 years but not later than 5 years	**6,922**	8,188
Later than 5 years	**21,869**	24,071
	31,710	35,344
	35,282	40,603

The staff loans attract interest rate at 4% (2015: 4%) per annum.

24. Deferred tax (assets)/liabilities

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
At 1 January	**703,375**	738,249	**(266)**	15,629
Recognised in the statement of profit or loss (Note 9)	**20,537**	(97,513)	**(3,095)**	(15,895)
Recognised in equity	**(5,806)**	(3,522)	**-**	-
Foreign currency translation	**1,848**	66,161	**-**	-
At 31 December	**719,954**	703,375	**(3,361)**	(266)
Presented in the statements of financial position as follows:				
Deferred tax assets	**(215,886)**	(231,642)	**(18,041)**	(11,948)
Deferred tax liabilities	**935,840**	935,017	**14,680**	11,682
	719,954	703,375	**(3,361)**	(266)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

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

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

Deferred tax liabilities of the Group:

	Property, plant and equipment and intangibles RM'000	Borrowings RM'000	Total RM'000
At 1 January 2016	**1,810,499**	**9,588**	**1,820,087**
Recognised in the statement of profit or loss	**(15,881)**	**(2,021)**	**(17,902)**
Foreign currency translation	**4,520**	**(5)**	**4,515**
At 31 December 2016	**1,799,138**	**7,562**	**1,806,700**
Less: Offset against deferred tax assets			**(870,860)**
			935,840
At 1 January 2015	1,794,949	8,232	1,803,181
Recognised in the statement of profit or loss	(124,799)	476	(124,323)
Foreign currency translation	140,349	880	141,229
At 31 December 2015	1,810,499	9,588	1,820,087
Less: Offset against deferred tax assets			(885,070)
			935,017

NOTES TO THE FINANCIAL STATEMENTS
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24. Deferred tax (assets)/liabilities (continued)

Deferred tax assets of the Group:

	Investment tax allowances RM'000	Fair value of the interest swap RM'000	Unutilised tax losses and unabsorbed capital allowances RM'000	Receivables RM'000	Retirement benefits RM'000	Payables RM'000	Total RM'000
At 1 January 2016	**(29,520)**	**(3,522)**	**(380,537)**	**(30,552)**	**(27)**	**(672,554)**	**(1,116,712)**
Recognised in the statement of profit or loss	**-**	**-**	**57,312**	**(2,464)**	**(14)**	**(16,395)**	**38,439**
Recognised in equity	**-**	**(5,806)**	**-**	**-**	**-**	**-**	**(5,806)**
Foreign currency translation	**-**	**(27)**	**1,893**	**11**	**(1)**	**(4,543)**	**(2,667)**
At 31 December 2016	**(29,520)**	**(9,355)**	**(321,332)**	**(33,005)**	**(42)**	**(693,492)**	**(1,086,746)**
Less: Offset against deferred tax liabilities							**870,860**
							(215,886)
At 1 January 2015	-	-	(425,374)	(24,790)	(17)	(614,751)	(1,064,932)
Recognised in the statement of profit or loss	(29,520)	-	62,442	(6,312)	(13)	213	26,810
Recognised in equity	-	(3,522)	-	-	-	-	(3,522)
Foreign currency translation	-	-	(17,605)	550	3	(58,016)	(75,068)
At 31 December 2015	(29,520)	(3,522)	(380,537)	(30,552)	(27)	(672,554)	(1,116,712)
Less: Offset against deferred tax liabilities							885,070
							(231,642)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

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

Deferred tax liability of the Company:

	Property, plant and equipment RM'000
At 1 January 2016	**11,682**
Recognised in the statement of profit or loss	**2,998**
At 31 December 2016	**14,680**
At 1 January 2015	22,463
Recognised in the statement of profit or loss	(10,781)
At 31 December 2015	11,682

Deferred tax asset of the Company:

	Payables RM'000
At 1 January 2016	**(11,948)**
Recognised in the statement of profit or loss	**(6,093)**
At 31 December 2016	**(18,041)**
At 1 January 2015	(6,834)
Recognised in the statement of profit or loss	(5,114)
At 31 December 2015	(11,948)

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unutilised tax losses	**549,464**	134,511	**-**	-
Unabsorbed capital allowances	**43**	2	**-**	-
Other deductible temporary differences	**23**	24	**-**	-
	549,530	134,537	**-**	-

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

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

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

25. Inventories

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cost				
Spares and consumables	**33,847**	30,098	**13**	13
Merchandise goods	**99,623**	85,296	**-**	-
Food and beverages	**1,765**	2,248	**-**	-
	135,235	117,642	**13**	13

The cost of inventories relating to merchandise goods, food and beverages recognised as an expense during the financial year amounted to RM396,917,000 (2015: RM373,390,000).

26. Cash and cash equivalents

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash on hand and at banks	**272,265**	299,186	**12,378**	16,338
Deposits with licensed banks	**1,255,412**	975,449	**198,703**	142,961
Money on call with licensed banks	**44,199**	12,101	**12,533**	12,101
Cash and bank balances	**1,571,876**	1,286,736	**223,614**	171,400

Other information on financial risks of cash and cash equivalents are disclosed in Note 41.

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances:				
- Continuing operations	**1,571,876**	1,286,736	**223,614**	171,400
- Discontinued operation (Note 10)	**151**	151	**-**	-
Cash and cash equivalents	**1,572,027**	1,286,887	**223,614**	171,400

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27. Share capital

	Number of shares of RM1 each		Amount	
	2016	2015	2016 RM	2015 RM
Authorised:				
Special Rights Preference				
Share of RM1 each	1	1	1	1
Ordinary shares of RM1 each	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
	2,000,000,001	2,000,000,001	2,000,000,001	2,000,000,001

Issued and fully paid:

	Number of shares of RM1 each	Amount RM
At 1 January 2015	1,374,149,855	1,374,149,855
DRP issued on:		
23 January 2015	2,391,485	2,391,485
Rights Shares issued on 27 March 2015	275,308,267	275,308,267
DRP issued on:		
19 June 2015	7,342,222	7,342,222
At 31 December 2015/31 December 2016	1,659,191,829	1,659,191,829

Ordinary shares

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

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27. Share capital (continued)

Dividend Reinvestment Plan (DRP)

The DRP was established upon the approval from the Shareholders, at the Extraordinary General Meeting held on 30 November 2012. The DRP provides Shareholders an option to elect to re-invest their cash dividend(s) declared by the Company (whether interim, final, special or any other cash dividend) (Dividend(s)) in new ordinary shares of RM1 each in MAHB (MAHB Shares).

The DRP provides Shareholders with an opportunity to re-invest their Dividends in new MAHB Shares (New Shares) in lieu of receiving cash. Shareholders are expected to benefit from their participation in the DRP as the New Shares may be issued at a discount and their subscription of such New Shares will be free from any brokerage fees and other related transaction costs. In addition, the DRP also provides the Shareholders with greater flexibility to meet their investment objectives as they would have the choice of receiving Dividends in cash or reinvesting into the Company through the subscription of additional Shares.

The DRP has capital management benefits to MAHB as the reinvestment of Dividends by Shareholders in New Shares will enlarge MAHB's share capital base and strengthen MAHB's capital position. Under the DRP, any cash so retained within MAHB, that would otherwise be made payable by way of dividend, will be preserved to fund the Group's continuing growth and expansion plan, and/or for the Group's working capital (including payment for general corporate activities and to defray expenses incurred in the course of day-to-day business operations). The issue of New Shares under the DRP is also expected to improve the liquidity of MAHB Shares currently listed on the Main Market of Bursa Securities.

In relation to Dividends declared, the Board may, at its absolute discretion, determine whether to offer Shareholders an option to re-invest such Dividend in New Shares (Reinvestment Option) and where applicable, the size of the portion of such Dividend to which the Reinvestment Option applies (Electable Portion).

Shareholders will have the following options in respect of a Reinvestment Option:

(a) elect to participate and thereby re-invest the entire Electable Portion (or a part thereof) at the Issue Price (as defined below) for New Shares and to receive wholly in cash:

  (i) the portion of the Dividend to which the Reinvestment Option does not apply, as determined by the Board (Non-Electable Portion); and

  (ii) the remaining portion of the Electable Portion not re-invested (if any) (Remaining Portion); or

(b) elect not to participate in the Reinvestment Option and thereby receive the entire Dividend wholly in cash.

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27. Share capital (continued)

Dividend Reinvestment Plan (DRP) (continued)

The issue price of such New Shares shall be the higher of the following (Issue Price):

(a) the adjusted Volume Weighted Average Market Price (VWAMP) of MAHB Shares for the five market days immediately before the price fixing date (i.e. a date on which the Issue Price will be determined) after applying a discount of not more than 10%. The VWAMP shall be adjusted for Dividends before applying the aforementioned discount in fixing the Issue Price; or

(b) the par value of MAHB Shares at the material time.

Special Rights Redeemable Preference Share

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

    The Special Shareholder has the right to appoint any person, but not more than six at any time, to be directors.

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

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

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

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

28. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2016 and 2015 under the single-tier system.

NOTES TO THE FINANCIAL STATEMENTS
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29. Fair value adjustment reserve

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

30. Other reserves and foreign exchange reserve

(a) Foreign exchange reserve

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

(b) Other reserves

	Group	
	2016 RM'000	**2015 RM'000**
Reserve arising from acquisition of non-controlling interest		
As at 1 January/31 December	**2,546**	2,546
Legal reserve		
As at 1 January	**2,537**	89
Created during the year	**1,694**	2,418
Foreign currency translation	**24**	30
As at 31 December	**4,255**	2,537
	6,801	5,083

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

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

(ii) Legal reserve

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

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30. Other reserves and foreign exchange reserve (continued)

(b) Other reserves (continued)

(ii) Legal reserve (continued)

(ii) According to Turkish Commercial Code (TCC), legal reserves comprises first and second legal reserves. The first legal reserve are generated by annual appropriations amounting to 5% of income disclosed in the Company's statutory accounts until it reaches 20% of paid-in share capital. If the dividend distribution is made in accordance with Dividend Distribution Communique II-19.1, a further 1/10 of dividend distributions, in excess of 5% of paid-in capital is to be appropriated to increase second legal reserves. If the dividend distribution is made in accordance with statutory records, a further 1/11 of dividend distributions, in excess of 5% of paid-in capitals are to be appropriated to increase second legal reserves. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital. As at 31 December 2016, total legal reserves in LGM amounts to EUR 874,000, equivalent to RM4,125,000 (2015: EUR 515,000, equivalent to RM2,415,000).

31. Other financial liability

	Group	
	2016 RM'000	2015 RM'000
At 1 January	-	201,950
Redemption of debenture	-	(209,451)
Foreign currency translation	-	7,501
At 31 December	-	-

Other financial liability is in respect of unsecured debentures issued by a foreign subsidiary comprising 57,700,000 fully paid debenture units of USD1 each. Interest on the debentures are payable upon the realisation of dividends from other investment held by the foreign subsidiary. The debentures have a 10-year period and the debenture holders have the rights to redeem the debentures at the nominal value and the debentures may be converted to ordinary shares issued by the foreign subsidiary.

In the previous year, the Group has fully redeemed its debentures at nominal value plus premium amounting to USD 74,000,000, equivalent to RM268,620,000 by utilising the proceeds from the disposal of its stake in DIAL.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

32. Loans and borrowings

	Maturity	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Current					
Unsecured:					
3.85% p.a. fixed rate RM Senior Sukuk	2016	-	250,000	-	250,000
Secured:					
Senior Term Facility	2016	-	148,308	-	-
Senior Term Facility	2017	**193,638**	-	-	-
		193,638	398,308	-	250,000
Non-current					
Unsecured:					
4.55% p.a. fixed rate RM IMTN	2020	**1,000,000**	1,000,000	**1,000,000**	1,000,000
4.68% p.a. fixed rate RM IMTN	2022	**1,500,000**	1,500,000	**1,500,000**	1,500,000
4.15% p.a. fixed rate RM IMTN	2024	**600,000**	600,000	**600,000**	600,000
4.15% p.a. fixed rate RM Senior Sukuk	2018	**250,000**	250,000	**250,000**	250,000
Secured:					
Senior Term Facility	2017 - 2021	-	2,150,007	-	-
Senior Term Facility	2018 - 2021	**2,036,142**	-	-	-
		5,386,142	5,500,007	**3,350,000**	3,350,000
Total loans and borrowings					
4.55% p.a. fixed rate RM IMTN		**1,000,000**	1,000,000	**1,000,000**	1,000,000
4.68% p.a. fixed rate RM IMTN		**1,500,000**	1,500,000	**1,500,000**	1,500,000
4.15% p.a. fixed rate RM IMTN		**600,000**	600,000	**600,000**	600,000
3.85% p.a. fixed rate RM Senior Sukuk		-	250,000	-	250,000
4.15% p.a. fixed rate RM Senior Sukuk		**250,000**	250,000	**250,000**	250,000
Euribor + 2.5% p.a. Senior Term Facility		**2,229,780**	2,298,315	-	-
		5,579,780	5,898,315	**3,350,000**	3,600,000

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32. Loans and borrowings (continued)

The remaining maturities of the loans and borrowings as at 31 December 2016 are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
On demand or within one year	**193,638**	398,308	**-**	250,000
More than 1 year and less than 2 years	**1,086,138**	186,564	**250,000**	-
More than 2 years and less than 5 years	**2,200,004**	2,608,599	**1,000,000**	1,250,000
5 years or more	**2,100,000**	2,704,844	**2,100,000**	2,100,000
	5,579,780	5,898,315	**3,350,000**	3,600,000

(a) On 23 June 2016, the Group had paid EUR 10,000,000, equivalent to RM44,800,000 of the Senior Term Facility which matured on 24 June 2016.

(b) On 6 September 2016, the Company had repaid its three (3) years Senior Sukuk (Sukuk Musharakah) tranche amounting to RM250,000,000 which matured on 6 September 2016.

(c) On 27 December 2016, the Group had paid EUR 10,000,000, equivalent to RM47,200,000 of the Senior Term Facility which matured on 28 December 2016.

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

Malaysia Airports Capital Berhad (MACB or the Issuer), a wholly owned subsidiary of MAHB as disclosed in Note 17, is a special purpose vehicle and its principal activity is to undertake the issuance of Ringgit-denominated Islamic Commercial Papers (ICPs) and Islamic Medium Term Notes (IMTNs) pursuant to an Islamic Commercial Paper Programme (ICP Programme) and an Islamic Medium Term Notes Programme (IMTN Programme), respectively in accordance with Shariah Principles (collectively referred to as the Sukuk Programmes).

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

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

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

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

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32. Loans and borrowings (continued)

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

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

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

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

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

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

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

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

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

On 6 September 2013, MAHB has completed the issuance of RM500,000,000 Senior Sukuk (Sukuk Musharakah) via a dual tranche offering pursuant to the Senior Sukuk Programme. The Senior Sukuk offering comprises a three (3) years, RM250,000,000 tranche and a five (5) years, RM250,000,000 tranche with a periodic distribution rate (per annum, payable semi-annually) of 3.85% and 4.15% respectively.

On 15 December 2014, the Company has completed the issuance of RM1,000,000,000 Perpetual Subordinated Sukuk pursuant to the Perpetual Subordinated Sukuk Programme. The Perpetual Subordinated Sukuk is structured as a Perpetual Sukuk and accounted as equity (as stated in Note 2.4(ac) and 33).

32. Loans and borrowings (continued)

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

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

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

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

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

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

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

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

(f) Senior Term Facility

ISG has signed a facility agreement on 21 December 2014 with three financial institutions which provided a total credit line of EUR 500,000,000, equivalent to RM2,125,000,000 to refinance the Project Loan, Subordinated Loan, Trigen Loan, Term Loan and all subordinated shareholder loans and payables.

ISG has utilised EUR 500,000,000, equivalent to RM2,125,000,000 of the total facility on 24 December 2014 and employed the funds for the repayment of the loans described above with the balance used for the unwinding of the IRS swap of EUR 29,073,000, equivalent to RM123,560,000, payment of bank fees of EUR 10,000,000, equivalent to RM42,500,000, Debt Service Reserve Account (DSRA) funding for the new Senior Term Loan of EUR 1,272,000, equivalent to RM5,406,000 and injection of working capital in ISG of EUR 21,642,000, equivalent to RM91,979,000.

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32. Loans and borrowings (continued)

(f) Senior Term Facility (continued)

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

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

ISG is required to fund a minimum DSRA corresponding to the interest payable in the next interest period amounting to EUR 6,585,000, equivalent to RM31,081,000 (2015: EUR 6,585,000, equivalent to RM30,884,000).

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

Historic debt service coverage ratio	Minimum of 1.10:1
Projected debt service coverage ratio	Minimum of 1.10:1
Loan life cover ratio	Minimum of 1.15:1

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

These Senior Term Facility with total face value of EUR 500,000,000, equivalent to RM2,360,000,000 are secured. The remaining balances of the Senior Term Facility are as follows:

Coupon rate	EUR'000	RM'000	Issue date	Maturity amount (RM'000)	Maturity date
Euribor + 2.5% p.a.	472,411	*2,229,780	24.12.2014	97,699	26.06.2017
				95,939	27.12.2017
				160,926	26.06.2018
				157,210	27.12.2018
				262,321	26.06.2019
				255,681	27.12.2019
				291,200	26.06.2020
				283,571	29.12.2020
				296,295	28.06.2021
				328,938	24.12.2021
				2,229,780	

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

Other information on financial risks of borrowings are disclosed in Note 41.

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32. Loans and borrowings (continued)

(g) Subordinated Loan

ISG had drawdown Subordinated Loan of EUR40,000,000, equivalent to RM170,000,000 each in year 2010 and 2013 for working capital purposes. The loan was settled on 21 January 2015.

33. Perpetual Sukuk

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Nominal value	**997,842**	997,842	**997,842**	997,842

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

The salient features of the Perpetual Sukuk are as follows:

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

(b) The Perpetual Sukuk is a perpetual non-call ten (10) - year with no fixed tenure and carries a fixed initial periodic distribution rate of 5.75% (per annum, payable semi-annually) up to the 10th year anniversary of the issue date, after which and for every 10 year onward the periodic distribution rate will be reset. The periodic distribution rate will be reset to the prevailing 10 – year MGS benchmark rate plus 1.867% (Initial Spread) plus 1.00% step up rate. As at 31 December 2016, a periodic distribution for Perpetual Sukuk payable was RM57,658,000 (2015: RM57,500,000);

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

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

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

   (i) Option of issuer – at the option of MAHB on each Call Date;
   (ii) Tax reasons – if MAHB is obliged to pay additional amount due to change in tax laws or regulations in Malaysia;
   (iii) Rating Event – if there is change in equity credit criteria, guidelines or methodology of rating agency which results in lower equity credit of the Perpetual Sukuk;
   (iv) Accounting reasons – if there is change in accounting standards which results in the Perpetual Sukuk no longer be classified as equity;
   (v) Tax deductibility – if there is change in tax laws or regulations in Malaysia which results in the periodic distribution amount no longer eligible for full tax deductibility under corporate income tax;

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33. Perpetual Sukuk (continued)

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

(vi) Minimal outstanding amount – if the outstanding Perpetual Sukuk is less than 10% of the nominal value originally issued;
(vii) Change of control – if the GoM cease to hold the Special Share issued by MAHB; and
(viii) Revocation of license – if the licenses issued by Minister of Transport to MAHB Group is being revoked/terminated which results in the cessation of MAHB operations for a period more than 30 consecutive days.

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

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

(h) The Perpetual Sukuk is unsecured.

34. Derivative financial instruments

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

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

Due date of transaction

	IRS Swap Contract - I		IRS Swap Contract - II	
	Notional amounts (RM'000)	Fixed Euribor (%)	Notional amounts (RM'000)	Fixed Euribor (%)
26 June 2017	1,132,800	0.1500	1,132,800	0.1500
27 December 2017	1,097,400	0.3000	1,097,400	0.3000
26 June 2018	1,062,000	0.3000	1,062,000	0.3000
27 December 2018	991,200	0.3000	991,200	0.3000
26 June 2019	920,400	0.3000	920,400	0.3000
27 December 2019	790,600	1.3025	790,600	1.2950
26 June 2020	660,800	1.3025	660,800	1.2950
29 December 2020	507,400	1.3025	507,400	1.2950
28 June 2021	354,000	1.3025	354,000	1.2950
24 December 2021	188,800	1.3025	188,800	1.2950

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34. Derivative financial instruments (continued)

As of 31 December 2016, fair value of the above mentioned contracts are EUR 9,911,000, equivalent to RM46,782,000 (2015: EUR 3,759,000, equivalent to RM17,628,000). Fair value of cash outflows with respect to the derivative that fall within one year from the financial position date, amounting to EUR 718,000, equivalent to RM3,389,000 (2015: EUR 662,000, equivalent to RM3,105,000) is classified under current liabilities whereas the remaining amount of EUR 9,193,000, equivalent to RM43,393,000 (2015: EUR 3,097,000, equivalent to RM14,523,000) is classified under non-current liabilities.

The unrealised loss on interest rate swaps transferred to the statement of profit or loss that is recognised in the consolidated statement of comprehensive income as at 31 December 2016 are as follows:

	Group	
	2016 RM'000	**2015 RM'000**
Recognised in other comprehensive income	**23,926**	13,491
Recognised in profit or loss	**3,437**	606
Foreign currency translation	**113**	6
	27,476	14,103

35. Trade and other payables

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Current				
Trade payables				
Third parties	**330,672**	341,131	**-**	-
Utilisation Fee Liability (Note 35(f))	**451,119**	464,514	**-**	-
	781,791	805,645	**-**	-
Other payables				
Amounts due to subsidiaries	**-**	-	**75,573**	99,533
Accruals (Note 35(d))	**197,817**	415,480	**80,891**	284,926
Provisions for liabilities	**24,713**	26,091	**4,995**	5,160
Sundry payables	**283,795**	301,804	**45,891**	47,983
Deferred income (Note 35(c))	**111,129**	114,677	**-**	-
Distribution to Perpetual Sukuk holder	**2,572**	2,572	**2,572**	2,572
Deposits	**106,684**	89,500	**13,244**	13,722
Concession liabilities (Note 35(e))	**30,070**	28,464	**-**	-
	756,780	978,588	**223,166**	453,896
	1,538,571	1,784,233	**223,166**	453,896

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

35. Trade and other payables (continued)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current				
Trade payables				
Third parties	**44,876**	45,282	**-**	-
Utilisation Fee Liability (Note 35(f))	**3,917,230**	3,916,919	**-**	-
	3,962,106	3,962,201	**-**	-
Other payables				
Sundry payables	**1,817**	4,304	**-**	-
Deferred income (Note 35(c))	**56,574**	63,649	**-**	-
Retirement benefit obligations	**3,309**	2,777	**-**	-
Concession liabilities (Note 35(e))	**436,727**	445,264	**-**	-
	498,427	515,994	**-**	-
	4,460,533	4,478,195	**-**	-
Total trade and other payables (current and non-current)	**5,999,104**	6,262,428	**223,166**	453,896
Add: Loans and borrowings (Note 32)	**5,579,780**	5,898,315	**3,350,000**	3,600,000
Less:				
- Provisions for liabilities	**(24,713)**	(26,091)	**(4,995)**	(5,160)
- Deferred income	**(167,703)**	(178,326)	**-**	-
Total financial liabilities carried at amortised cost	**11,386,468**	11,956,326	**3,568,171**	4,048,736

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

35. Trade and other payables (continued)

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

	Short-term accumulating compensated absences RM'000	Assessment fees RM'000	Total RM'000
Group			
At 31 December 2016			
At 1 January 2016	**23,094**	**2,997**	**26,091**
Additional provision during the year	**3,939**	**3,970**	**7,909**
Writeback of provision during the year	**(4,558)**	**(1,134)**	**(5,692)**
Utilised during the year	**(20)**	**(3,575)**	**(3,595)**
At 31 December 2016	**22,455**	**2,258**	**24,713**
At 31 December 2015			
At 1 January 2015	20,316	3,338	23,654
Additional provision during the year	3,308	4,026	7,334
Writeback of provision during the year	(514)	-	(514)
Utilised during the year	(16)	(4,367)	(4,383)
At 31 December 2015	23,094	2,997	26,091

	Short-term accumulating compensated absences RM'000
Company	
At 31 December 2016	
At 1 January 2016	**5,160**
Writeback of provision during the year	**(150)**
Utilised during the year	**(15)**
At 31 December 2016	**4,995**
At 31 December 2015	
At 1 January 2015	4,607
Additional provision during the year	563
Utilised during the year	(10)
At 31 December 2015	5,160

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

35. Trade and other payables (continued)

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

	Retirement benefit obligations RM'000
Group	
At 31 December 2016	
At 1 January 2016	**2,777**
Recognised in the statement of profit or loss	**879**
Utilised during the year	**(437)**
Foreign currency translation	**90**
At 31 December 2016	**3,309**
At 31 December 2015	
At 1 January 2015	1,385
Recognised in the statement of profit or loss	1,144
Foreign currency translation	248
At 31 December 2015	2,777

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

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 (2015: 30 to 90) days.

(b) Amounts due to subsidiaries

Amounts due to subsidiaries are non-interest bearing and are repayable on demand. The amounts are unsecured and are to be settled in cash. The subsidiaries will not recall the amounts to the extent that it would adversely affect the ability of the Company to meet all its obligations when they fall due.

35. Trade and other payables (continued)

(c) Deferred income

Deferred income is analysed as follows:

	Group 2016 RM'000	Group 2015 RM'000
Analysed as:		
Current	**111,129**	114,677
Non-current:		
Later than 1 year but not later than 2 years	**5,696**	7,674
Later than 2 years but not later than 5 years	**12,788**	14,265
Later than 5 years	**38,090**	41,710
	56,574	63,649
	167,703	178,326

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

(d) Accruals

Included in accrual is RM47,995,000 (2015: RM241,562,000) amount accrued in relation to klia2 construction cost.

(e) Concession liabilities

Concession liabilities are in respect of the following:

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

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

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35. Trade and other payables (continued)

(e) Concession liabilities (continued)

Concession liabilities are analysed as follows:

	Group			
	Lease rental payable to GoM		Airport Facility Arrangements (AFA)	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Analysed as:				
Current	-	-	30,070	28,464
Non-current:				
Later than 1 year but not later than 2 years	277	2,581	31,766	30,070
Later than 2 years but not later than 5 years	936	8,469	48,162	62,986
Later than 5 years	89,970	58,599	265,616	282,559
	91,183	69,649	345,544	375,615
Total minimum lease payment	91,183	69,649	375,614	404,079

	Group	
	2016 RM'000	2015 RM'000
Current	30,070	28,464
Non-current	436,727	445,264
Total concession liabilities	466,797	473,728

The AFA obligation is arrived at after discounting the future estimated finance charge of RM175,862,000 (2015: RM197,375,000).

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

Other information on financial risks of other payables are disclosed in Note 41.

(f) Utilisation Fee Liability

The Utilisation Fee Liability represents the present value of amounts payable to the Administration in accordance with the Concession Agreement for the operation of the ISGIA for 20 years plus 22 months of extension period. The Utilisation Fee Liability is discounted to present value, at a rate of 10.3%.

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35. Trade and other payables (continued)

(f) Utilisation Fee Liability (continued)

	Group	
	2016 RM'000	2015 RM'000
Analysed as:		
Current	**451,119**	464,514
Non-current:		
Later than 1 year but not later than 2 years	**386,691**	393,441
Later than 2 years but not later than 5 years	**1,149,780**	1,102,159
Later than 5 years	**2,380,759**	2,421,319
	3,917,230	3,916,919
	4,368,349	4,381,433

36. Lease arrangements

Operating lease

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

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

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Future minimum rental payments:				
Not later than 1 year	**48,535**	47,663	**9,727**	9,816
Later than 1 year but not later than 5 years	**108,460**	121,701	**16,521**	14,729
Later than 5 years	**18,479**	35,119	**-**	-
	175,474	204,483	**26,248**	24,545

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37. Commitments

	Not later than 1 year RM'000	Later than 1 year but not later than 5 years RM'000	Later than 5 years RM'000	Total RM'000
Group				
31 December 2016				
(i) Approved but not contracted for:				
Capital expenditure	**660,262**	**-**	**-**	**660,262**
(ii) Other investments:				
Investment in ISG [(a)]	**-**	**247,942**	**-**	**247,942**
Investment in MFMA [(b)]	**-**	**58,729**	**-**	**58,729**
	-	**306,671**	**-**	**306,671**
	660,262	**306,671**	**-**	**966,933**
31 December 2015				
(i) Approved and contracted for:				
Lease rental payable to GoM other than within the Operating Agreements [(c)]	-	-	66,063	66,063
(ii) Approved but not contracted for:				
Capital expenditure	568,632	-	-	568,632
(iii) Other investments:				
Investment in ISG [(a)]	-	246,366	-	246,366
Investment in MFMA [(b)]	-	56,113	-	56,113
	-	302,479	-	302,479
	568,632	302,479	66,063	937,174

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37. Commitments (continued)

	Not later than 1 year RM'000	Later than 1 year but not later than 5 years RM'000	Later than 5 years RM'000	Total RM'000
Company				
31 December 2016				
(i) Approved but not contracted for:				
Capital expenditure	**35,133**	**-**	**-**	**35,133**
(ii) Other investments:				
Investment in ISG [(a)]	**-**	**49,588**	**-**	**49,588**
	35,133	**49,588**	**-**	**84,721**
31 December 2015				
(i) Approved but not contracted for:				
Capital expenditure	30,664	-	-	30,664
(ii) Other investments:				
Investment in ISG [(a)]	-	49,273	-	49,273
	30,664	49,273	-	79,937

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Analysed as:				
Not later than 1 year	**660,262**	568,632	**35,133**	30,664
Later than 1 year but not later than 5 years	**306,671**	302,479	**49,588**	49,273
Later than 5 years	**-**	66,063	**-**	-
	966,933	937,174	**84,721**	79,937

NOTES TO THE FINANCIAL STATEMENTS
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37. Commitments (continued)

(a) Prior to the refinancing of ISG as stated in Note 32(f), a Shareholder Support Agreement dated 6 June 2008 and amended on 3 October 2011 (Agreement) was entered between the Company, together with GMR, Limak, and, amongst others, ISG to facilitate the loan financing arrangements by ISG to fund the development of ISGIA for amounts up to EUR 52,530,000, equivalent to RM247,942,000 (2015: EUR 52,530,000, equivalent to RM246,366,000). Pursuant to the Agreement, each Shareholder had agreed to provide further equity funding to ISG under certain prescribed circumstances, which include additional investment as may be requested by the Authority pursuant to its Implementation Agreement and to ensure ISG has sufficient funds to meet certain loan covenants and obligations as stipulated therein. ISG's obligation to provide further equity funding is expected to be based on its proportionate shareholding and is not obliged to cover any shortfall of any other Shareholder. Upon completion of the refinancing and acquisition of ISG, MAHB Group provides full financial support to meet ISG's obligations stipulated under the new loan agreements and/or Implementation Agreement, as and when necessary. As at 31 December 2016, other than those disclosed above, there are no further approved commitments relating to the equity funding for the additional investment in ISG.

(b) MFMA had on 10 November 2014 entered into a loan facility agreement for amounts up to USD 60,000,000, equivalent to RM257,400,000 with Sumitomo Mitsui Banking Corporation Labuan Branch and Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad (collectively known as Lenders) to fund the development of Mitsui Outlet Park KLIA. The loan facility is structured into two facilities namely Facility A and Facility B as per MFMA shareholdings between Mitsui Fudosan Co. Ltd. (Mitsui) (70%) and MAHB (30%), with the loan amount of USD 42,000,000, equivalent to RM180,180,000 and USD 18,000,000, equivalent to RM77,220,000, respectively for each Facility A and Facility B.

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

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

On 17 November 2014, MFMA has drawdown USD 43,600,000, equivalent to RM145,428,000, out of total loan facility of USD 60,000,000, equivalent to RM257,400,000. The commitments by MAHB is in respect of the Facility B which amounted to USD 13,080,000, equivalent to RM58,729,000 (2015: USD 13,080,000, equivalent to RM56,113,000).

(c) As the Operating Agreements have been extended to 2069 during the current financial year as disclosed in Note 1.2(f), the lease payable for the extended period has been accounted for in concession liabilities as disclosed in Note 35(e).

38. Financial guarantees and contingencies

(a) Guarantees

(i) As of 31 December 2016, ISG has given three letters of guarantee, one amounting to EUR 86,079,000, equivalent to RM406,293,000 (2015: EUR 91,818,000, equivalent to RM430,626,000), one amounting to EUR 13,009,000, equivalent to RM61,402,000 (2015: EUR 13,009,000, equivalent to RM61,012,000), and another amounting to EUR 1,629,000, equivalent to RM7,689,000 (2015: EUR 1,629,000, equivalent to RM7,640,000) are provided to the Administration (representing 6% of total amount payable to the Administration for the right to operate the Facility as set out in the Concession Agreement).

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38. Financial guarantees and contingencies (continued)

(a) Guarantees (continued)

(ii) As of 31 December 2016, LGM has given a letter of guarantee to Havaalani Isletme ve Havacilik Endustrileri A.S. (HEAS) amounting to EUR 474,000, equivalent to RM2,237,000 (2015: EUR 458,000, equivalent to RM2,148,000) for the rental of the hangar operations.

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

(a) Performance Bank Guarantee totalling to QAR 39,700,000, equivalent to RM50,022,000 (2015: QAR 36,900,000, equivalent to RM43,911,000)
(b) Advance Payment Guarantee totalling to QAR 22,000,000, equivalent to RM27,720,000 (2015: QAR 31,900,000, equivalent to RM37,961,000)
(c) Parent Company Guarantee (PCG) to guarantee the performance of obligations and liabilities of MACS ME under contract for Facility Management Services for Airport Operational Facilities and Ancillary Buildings.

The Group has assessed the guarantee contracts and concluded that the guarantees are more likely not to be called upon and accordingly not recognised as financial liability as at 31 December 2016.

(b) Contingent liabilities

(i) ISG is involved in, and may from time to time be involved in a number of legal proceedings. There are 239 employee lawsuits filed against ISG either directly or indirectly via sub-contractors. The total amount of claims against ISG is EUR 1,104,000, equivalent to RM5,211,000 (2015: EUR 1,260,000, equivalent to RM5,909,000). ISG recognised a provision for these claims of EUR 1,041,000, equivalent to RM4,914,000 (2015: EUR 602,000, equivalent to RM2,823,000) in the consolidated financial statements considering that ISG cannot establish the rest of the claims and that a probable loss will occur.

(ii) The tax authority had argued on the management fees invoices for 2010 that LGM received from the shareholders should be viewed as dividend distributions since there was inadequate proof that services were provided by the shareholders. As a result of this, LGM had in 2015 paid TL 1,252,000, equivalent to EUR 399,000 or RM1,871,000 to the tax authority.

No tax investigation has been commissioned for 2012-2014 by the government. Invoices received relating to management fees for 2012-2014 amount to TL 15,769,000, equivalent to EUR 4,258,000 or RM20,098,000.

The government of Turkey implemented a tax amnesty scheme in 2016 whereby making an additional declaration companies may remove the risk of being audited by the authorities. LGM has applied for the tax amnesty on VAT and corporate tax and paid additional taxes as follows:

- VAT amount of TL 648,000, equivalent to EUR 175,000 or RM826,000 for the years 2012, 2013 and 2014
- Corporate tax amount of TL 116,000, equivalent to EUR 31,000 or RM146,000 for the years 2012, 2013 and 2014

As a result of the tax amnesty, LGM is of the view that the management fees will not be investigated any further and no further tax liability will arise.

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38. Financial guarantees and contingencies (continued)

(b) Contingent liabilities (continued)

(iii) On 20 August 2015, MAP received a Notice of Arbitration from KAF in respect of the alleged losses and damages in the sum of RM28,277,000 pertaining to among others, design changes under the Airport Facilities Agreement (AFA) dated 26 September 2007. Both parties have appointed an arbitrator. The Arbitrator has fixed the hearing of the matter on 11 to 29 September 2017.

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

(v) On 21 September 2016, MAHB and its wholly owned subsidiary MA (Sepang) have received a Notice from Express Rail Link Sdn. Bhd. (ERL) to, inter alia, wholly indemnify ERL against a claim by Segi Astana Sdn. Bhd. for the sum of RM5,400,000 and further and continuing damages from 9 September 2016 until the date of vacant possession of premises or until such date as deemed appropriate by Court for all losses and damages. The Court has fixed 30 May 2017 for hearing of the Third Party Notice Direction.

(vi) On 23 December 2016, ISG received a notice of tax audit on VAT refund in respect of Jet Fuel for the years 2012 and 2013. This is in respect of a legal case which has been filed against the tax office. ISG has won the legal case and the tax office appealed to the Supreme Court. The case is still at the Supreme Court stage. ISG is of the view that the Supreme Court will uphold the decision of the lower courts in favour of ISG.

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39. Related party disclosures

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

	Group	
	2016 RM'000	**2015 RM'000**
Related party balances:		
Amounts owing by associated companies	**1,577**	1,862
Amounts owing to joint ventures	**6,986**	7,322
Amount owing to other related party	**500**	500
Related party transactions:		
Revenue:		
Associates:		
Lease rental		
- KL Aviation Fuelling System Sdn. Bhd.	**6,036**	5,954
- MFMA Development Sdn. Bhd.	**3,044**	1,802
Concession fee		
- MFMA Development Sdn. Bhd.	**568**	568
Recoupment of water, electricity & sewerage		
- MFMA Development Sdn. Bhd.	**5,933**	4,289
Joint ventures:		
Lease rental		
- Segi Astana Sdn. Bhd.	**1,273**	1,273
- Airport Cooling Energy Supply Sdn. Bhd.	**888**	888
Expenses:		
Joint ventures:		
Airport Cooling Energy Supply Sdn. Bhd.		
- Utilities (fixed)	**32,125**	32,125
- Utilities (variable)	**14,371**	13,701
- Less: Rebate	**(3,233)**	(3,203)
- Interest on concession payable	**21,362**	21,362
Segi Astana Sdn. Bhd.		
- Rental of shops and warehouse	**1,421**	2,654
- Water and electricity	**133**	211
- Car park	**35**	42

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

39. Related party disclosures (continued)

	Group 2016 RM'000	Group 2015 RM'000
Related party transactions: (continued)		
Other transactions:		
Joint ventures:		
Airport Cooling Energy Supply Sdn. Bhd.		
- Payment on concession payable	**10,699**	10,699
Other related party:		
Korn Ferry International (M) Sdn. Bhd.		
- Professional fees	**635**	1,086

	Company 2016 RM'000	Company 2015 RM'000
Other transactions:		
Subsidiaries:		
Utilities charges		
- Malaysia Airports (Sepang) Sdn. Bhd.	1,327	1,465
Landscape services		
- MAB Agriculture-Horticulture Sdn. Bhd.	386	379
Catering services		
- Malaysia Airports (Niaga) Sdn. Bhd.	581	518
Event management		
- K.L. Airport Hotel Sdn. Bhd.	939	1,116
Repair and maintenance of building		
- Urusan Teknologi Wawasan Sdn. Bhd.	793	773

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

39. Related party disclosures (continued)

Compensation of key management personnel

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

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Short-term employee benefits	**15,268**	14,320	**11,636**	11,616
Post-employment benefit:				
Defined contribution plans	**2,394**	2,364	**1,854**	1,921
	17,662	16,684	**13,490**	13,537

Remuneration of directors is as disclosed in Note 8.

40. Significant events

(a) As disclosed in Note 1.2(f), MA (Sepang) and MASB (Malaysia Airports), via a letter from the Ministry of Transport, dated 28 December 2016, has been granted an extension of the Operating Agreements for a period of 35 years on top of the existing 25 years from 12 February 2009.

(b) As disclosed in Note 18, the arbitration tribunal between the Maldivian Government, MACL and GMR Male had been settled.

41. Financial instruments

(a) Financial risk management objectives and policies

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

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

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

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

(b) Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

41. Financial instruments (continued)

(b) Interest rate risk (continued)

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

	Note	WAEIR %	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000	Total RM'000
At 31 December 2016							
Group							
Fixed rate term loan	32	**3.72**	**193,638**	**1,086,138**	**2,200,004**	**2,100,000**	**5,579,780**
Cash and cash equivalents	26	**2.78**	**1,299,611**	**-**	**-**	**-**	**1,299,611**
Company							
Fixed rate term loan	32	**4.51**	**-**	**250,000**	**1,000,000**	**2,100,000**	**3,350,000**
Cash and cash equivalents	26	**3.93**	**211,236**	**-**	**-**	**-**	**211,236**
At 31 December 2015							
Group							
Fixed rate term loan	32	3.76	398,308	186,564	2,608,599	2,704,844	5,898,315
Cash and cash equivalents	26	2.86	987,550	-	-	-	987,550
Company							
Fixed rate term loan	32	4.46	250,000	-	1,250,000	2,100,000	3,600,000
Cash and cash equivalents	26	4.50	155,062	-	-	-	155,062

The average maturity of financial instruments at the reporting date is 22 days (2015: 26 days). The other financial instruments of the Group and of the Company that are not included in the above tables are not subject to interest rate risks.

41. Financial instruments (continued)

(c) Foreign currency risk

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

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

	Net financial assets/(liabilities) held in non-functional currencies									
	United States Dollar RM'000	Great Britain Pound RM'000	Euro RM'000	Singapore Dollar RM'000	Switzerland Swiss Franc RM'000	China RMB RM'000	Hong Kong Dollar RM'000	Qatar Riyal RM'000	Australian Dollar RM'000	Total RM'000
Group										
At 31 December 2016										
Ringgit Malaysia	**46,679**	**2**	**889**	**798**	**20**	**60**	**-**	**20,260**	**(2)**	**68,706**
At 31 December 2015										
Ringgit Malaysia	71,808	(37)	1,100	5	(175)	65	(50)	19,501	(25)	92,192
Company										
At 31 December 2016										
Ringgit Malaysia	**46,634**	**6,198**	**11,824**	**(4)**	**-**	**-**	**-**	**-**	**(2)**	**64,650**
At 31 December 2015										
Ringgit Malaysia	44,915	6,994	12,240	398	-	-	(50)	-	(25)	64,472

NOTES TO THE FINANCIAL STATEMENTS
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41. Financial instruments (continued)

(c) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

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

		Group 2016 RM'000 Profit, net of tax	Company 2016 RM'000 Profit, net of tax
USD/RM	- strengthened 5%	2,334	2,332
	- weakened 5%	(2,334)	(2,332)
GBP/RM	- strengthened 5%	-	310
	- weakened 5%	-	(310)
EUR/RM	- strengthened 5%	44	591
	- weakened 5%	(44)	(591)
SGD/RM	- strengthened 5%	40	-
	- weakened 5%	(40)	-
RMB/RM	- strengthened 5%	3	-
	- weakened 5%	(3)	-
CHF/RM	- strengthened 5%	1	-
	- weakened 5%	(1)	-
QAR/RM	- strengthened 5%	1,013	-
	- weakened 5%	(1,013)	-

(d) Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

41. Financial instruments (continued)

(d) Liquidity risk (continued)

Analysis of financial instrument by remaining contractual maturities

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

	On demand within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
31 December 2016				
Financial liabilities:				
Trade and other payables	**1,422,956**	**3,468,937**	**4,935,706**	**9,827,599**
Loans and borrowings	**348,940**	**4,113,703**	**2,149,664**	**6,612,307**
Total undiscounted financial liabilities	**1,771,896**	**7,582,640**	**7,085,370**	**16,439,906**
31 December 2015				
Financial liabilities:				
Trade and other payables	1,649,033	3,219,355	5,442,617	10,311,005
Loans and borrowings	560,207	3,637,740	2,959,339	7,157,286
Total undiscounted financial liabilities	2,209,240	6,857,095	8,401,956	17,468,291
Company				
31 December 2016				
Financial liabilities:				
Other payables	**218,171**	**-**	**-**	**218,171**
Loans and borrowings	**150,975**	**1,850,928**	**2,149,664**	**4,151,567**
Total undiscounted financial liabilities	**369,146**	**1,850,928**	**2,149,664**	**4,369,738**
31 December 2015				
Financial liabilities:				
Other payables	453,896	-	-	453,896
Loans and borrowings	407,567	1,909,648	2,242,332	4,559,547
Total undiscounted financial liabilities	861,463	1,909,648	2,242,332	5,013,443

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

41. Financial instruments (continued)

(e) Credit risk

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

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

Exposure to credit risk

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

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

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

Credit risk concentration profile

At the reporting date, approximately 49% (2015: 51%) of the Group's trade receivables were due from five (2015: five) major customers who are reputable and located in Malaysia.

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

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

41. Financial instruments (continued)

(f) Fair values

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

	Note
Trade and other receivables	22
Trade and other payables	35

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

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

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

Fair value has been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar types of lending and borrowings.

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

(ii) Unit trusts, bonds and medium term notes

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

42. Capital management

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

The Group actively manages its capital structure and makes adjustments to it in light of changes in, amongst others, its operating environment and economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015.

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

42. Capital management (continued)

	Note	Group 2016 RM'000	Group 2015 RM'000
Loans and borrowings	32	**5,579,780**	5,898,315
Equity attributable to the owners of the parent		**8,694,857**	8,841,352
Total equity		**8,694,857**	8,841,352
Gearing ratio		**64%**	67%

43. Segment information

(a) Reporting format

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

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

Malaysia operations:

(i) Duty free and non-dutiable goods
To operate duty free, non duty free outlets and provide management service in respect of food and beverage outlets at designated airports.

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

(iii) Agriculture and horticulture
To cultivate and sell oil palm and other agricultural products and to carry out horticulture activities.

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

(v) Project and repair maintenance
To provide consultancy, operations and maintenance of Information and Communication Technology business ventures and provision of mechanical and electrical engineering.

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

43. Segment information (continued)

(a) Reporting format (continued)

Overseas operations:

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

(ii) Project and repair maintenance
To provide facilities maintenance services at Hamad International Airport.

(b) Allocation basis and transfer pricing

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

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

43. Segment information (continued)

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

	Continuing operations												
	Malaysia Operations						Overseas Operations						
	Airport operations		Non-airport operations				Airport Operations	Non-airport operations					
	Duty free and non-dutiable goods RM'000	Airport services RM'000	Agriculture and horticulture RM'000	Hotel RM'000	Project and repair maintenance RM'000	Others RM'000	Airport services RM'000	Project and repair maintenance RM'000	Consolidation adjustments RM'000	Notes	Total RM'000	Discontinued operation RM'000	Total operation RM'000
31 December 2016													
Revenue													
External sales													
Airport operations:													
Aeronautical	-	1,563,879	-	-	-	-	498,706	-	-		2,062,585	-	2,062,585
Non-aeronautical:													
Retail	740,019	-	-	-	-	-	-	-	-		740,019	-	740,019
Others	917	659,161	-	-	-	-	450,142	-	-		1,110,220	-	1,110,220
Non-airport operations	-	-	34,341	82,884	18,098	-	9,955	114,666	-		259,944	-	259,944
Inter-segment sales	726	242,613	5,941	979	64,671	-	71,284	-	(386,214)	A	-	-	-
Inter-segment dividends	-	-	-	-	-	140,240	-	-	(140,240)	A	-	-	-
Total revenue	741,662	2,465,653	40,282	83,863	82,769	140,240	1,030,087	114,666	(526,454)		4,172,768	-	4,172,768
Results													
Segment results	36,635	909,536	9,918	17,450	38,502	365,812	710,939	(9,144)	(369,739)	B	1,709,909	-	1,709,909
Depreciation and amortisation	(11,104)	(288,196)	(4,086)	(15,975)	(385)	(15,892)	(308,576)	(4,551)	(203,775)	C	(852,540)	-	(852,540)
Finance costs	21	(256,998)	(6)	(82)	74	(157,891)	(459,110)	-	184,223	D	(689,769)	-	(689,769)
Share of results of associates	-	1,676	-	-	-	-	-	-	-		1,676	-	1,676
Share of results of joint ventures	-	-	-	-	-	14,055	-	-	-		14,055	-	14,055
Profit/(loss) before tax	25,552	366,018	5,826	1,393	38,191	206,084	(56,747)	(13,695)	(389,291)		183,331	-	183,331
Taxation and zakat	(6,687)	(78,273)	(327)	(811)	(4,471)	2,598	(66,257)	-	44,071	C	(110,157)	-	(110,157)
Profit/(loss) for the year	18,865	287,745	5,499	582	33,720	208,682	(123,004)	(13,695)	(345,220)		73,174	-	73,174

43. Segment information (continued)

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

	Continuing operations												
	Malaysia Operations						Overseas Operations						
	Airport operations		Non-airport operations				Airport Operations	Non-airport operations					
	Duty free and non-dutiable goods RM'000	Airport services RM'000	Agriculture and horticulture RM'000	Hotel RM'000	Project and repair maintenance RM'000	Others RM'000	Airport services RM'000	Project and repair maintenance RM'000	Consolidation adjustments RM'000	Notes	Total RM'000	Discontinued operation RM'000	Total operation RM'000
31 December 2016 (continued)													
Assets													
Segment assets	240,573	10,437,792	84,234	142,667	102,940	11,981,849	6,507,923	83,733	(8,655,403)	E	20,926,308	151	20,926,459
Additions to non-current assets	2,119	159,046	6,296	5,996	257	23,215	33,807	12,484	-		243,220	-	243,220
Investments in associates	-	36,161	-	-	-	-	-	-	-		36,161	-	36,161
Investments in joint ventures	-	-	-	-	-	82,720	-	-	-		82,720	-	82,720
Total assets	242,692	10,632,999	90,530	148,663	103,197	12,087,784	6,541,730	96,217	(8,655,403)		21,288,409	151	21,288,560
Liabilities													
Segment liabilities, representing total liabilities	204,624	6,561,118	19,287	63,476	45,950	5,785,809	7,704,801	72,480	(7,865,892)	F	12,591,653	19	12,591,672

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43. Segment information (continued)

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

	Continuing operations												
	Malaysia Operations						Overseas Operations						
	Airport operations		Non-airport operations				Airport Operations	Non-airport operations					
	Duty free and non-dutiable goods RM'000	Airport services RM'000	Agriculture and horticulture RM'000	Hotel RM'000	Project and repair maintenance RM'000	Others RM'000	Airport services RM'000	Project and repair maintenance RM'000	Consolidation adjustments RM'000	Notes	Total RM'000	Discontinued operation RM'000	Total operation RM'000
31 December 2015													
Revenue													
External sales													
Airport operations:													
Aeronautical	-	1,422,445	-	-	-	-	476,903	-	-		1,899,348	-	1,899,348
Non-aeronautical:													
Retail	672,520	-	-	-	-	-	-	-	-		672,520	-	672,520
Others	894	615,355	-	-	-	-	430,251	-	-		1,046,500	-	1,046,500
Non-airport operations	-	-	29,915	73,856	20,401	-	12,161	115,506	-		251,839	-	251,839
Inter-segment sales	737	247,814	5,629	1,267	58,802	-	66,479	-	(380,728)	A	-	-	-
Inter-segment dividends	-	-	-	-	-	151,667	-	-	(151,667)	A	-	-	-
Total revenue	674,151	2,285,614	35,544	75,123	79,203	151,667	985,794	115,506	(532,395)		3,870,207	-	3,870,207
Results													
Segment results	(58,546)	857,029	6,300	16,413	20,809	525,177	692,943	17,744	(398,769)	B	1,679,100	(9)	1,679,091
Depreciation and amortisation	(13,946)	(455,804)	(4,058)	(16,025)	(388)	(11,945)	(216,602)	(622)	(182,321)	C	(901,711)	-	(901,711)
Finance costs	-	(256,691)	12	6	(45)	(228,919)	(446,415)	-	190,201	D	(741,851)	-	(741,851)
Share of results of associates	-	(349)	-	-	-	-	-	-	-		(349)	-	(349)
Share of results of joint ventures	-	-	-	-	-	10,750	-	-	-		10,750	-	10,750
(Loss)/profit before tax	(72,492)	144,185	2,254	394	20,376	295,063	29,926	17,122	(390,889)		45,939	(9)	45,930
Taxation and zakat	13,993	(39,735)	(1,842)	268	(3,916)	16,919	(33,739)	(2,176)	44,410	C	(5,818)	-	(5,818)
(Loss)/profit for the year	(58,499)	104,450	412	662	16,460	311,982	(3,813)	14,946	(346,479)		40,121	(9)	40,112

43. Segment information (continued)

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

	Continuing operations												
	Malaysia Operations						Overseas Operations						
	Airport operations		Non-airport operations				Airport Operations	Non-airport operations					
	Duty free and non-dutiable goods RM'000	Airport services RM'000	Agriculture and horticulture RM'000	Hotel RM'000	Project and repair maintenance RM'000	Others RM'000	Airport services RM'000	Project and repair maintenance RM'000	Consolidation adjustments RM'000	Notes	Total RM'000	Discontinued operation RM'000	Total operation RM'000
31 December 2015 (continued)													
Assets													
Segment assets	251,466	10,470,193	72,932	165,658	169,623	12,487,386	6,169,655	126,838	(8,341,394)	E	21,572,357	151	21,572,508
Additions to non-current assets	7,725	213,458	13,024	3,160	945	44,475	30,138	744	-		313,669	-	313,669
Investments in associates	-	34,485	-	-	-	-	-	-	-		34,485	-	34,485
Investments in joint ventures	-	-	-	-	-	71,671	-	-	-		71,671	-	71,671
Total assets	259,191	10,718,136	85,956	168,818	170,568	12,603,532	6,199,793	127,582	(8,341,394)		21,992,182	151	21,992,333
Liabilities													
Segment liabilities, representing total liabilities	239,989	6,833,164	20,214	84,215	106,004	6,301,556	7,191,554	90,046	(7,715,023)	F	13,151,719	19	13,151,738

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43. Segment information (continued)

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

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

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

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

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

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

	2016 RM'000	2015 RM'000
Investment in subsidiaries	**(1,886,883)**	(1,886,883)
Inter-segment assets	**(6,768,520)**	(6,454,511)
	(8,655,403)	(8,341,394)

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

	2016 RM'000	2015 RM'000
Inter-segment liabilities	**7,865,892**	7,715,023

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44. Supplementary explanatory note on disclosure of realised and unrealised profits

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2016 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Total retained earnings of the Company and its subsidiaries:				
- Realised	**3,919,385**	4,012,317	**105,232**	118,477
- Unrealised	**78,402**	95,902	**28,308**	29,558
	3,997,787	4,108,219	**133,540**	148,035
Total share of retained earnings/(accumulated losses) from associated companies:				
- Realised	**58,247**	69,632	**-**	-
- Unrealised	**(4,204)**	(3,836)	**-**	-
	54,043	65,796	**-**	-
Total share of retained earnings/(accumulated losses) from joint ventures:				
- Realised	**17,952**	14,318	**-**	-
- Unrealised	**(10,441)**	(5,622)	**-**	-
	7,511	8,696	**-**	-
Less: Consolidation adjustments	**(1,738,154)**	(1,733,220)	**-**	-
Total retained earnings as per financial statements	**2,321,187**	2,449,491	**133,540**	148,035

The determination of realised and unrealised profits above is solely for complying with the disclosure requirements as stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.