MALAYSIA AIRPORTS

Hosting Joyful Connections

EMERGING STRONGER TOGETHER

Financial Statements 2020

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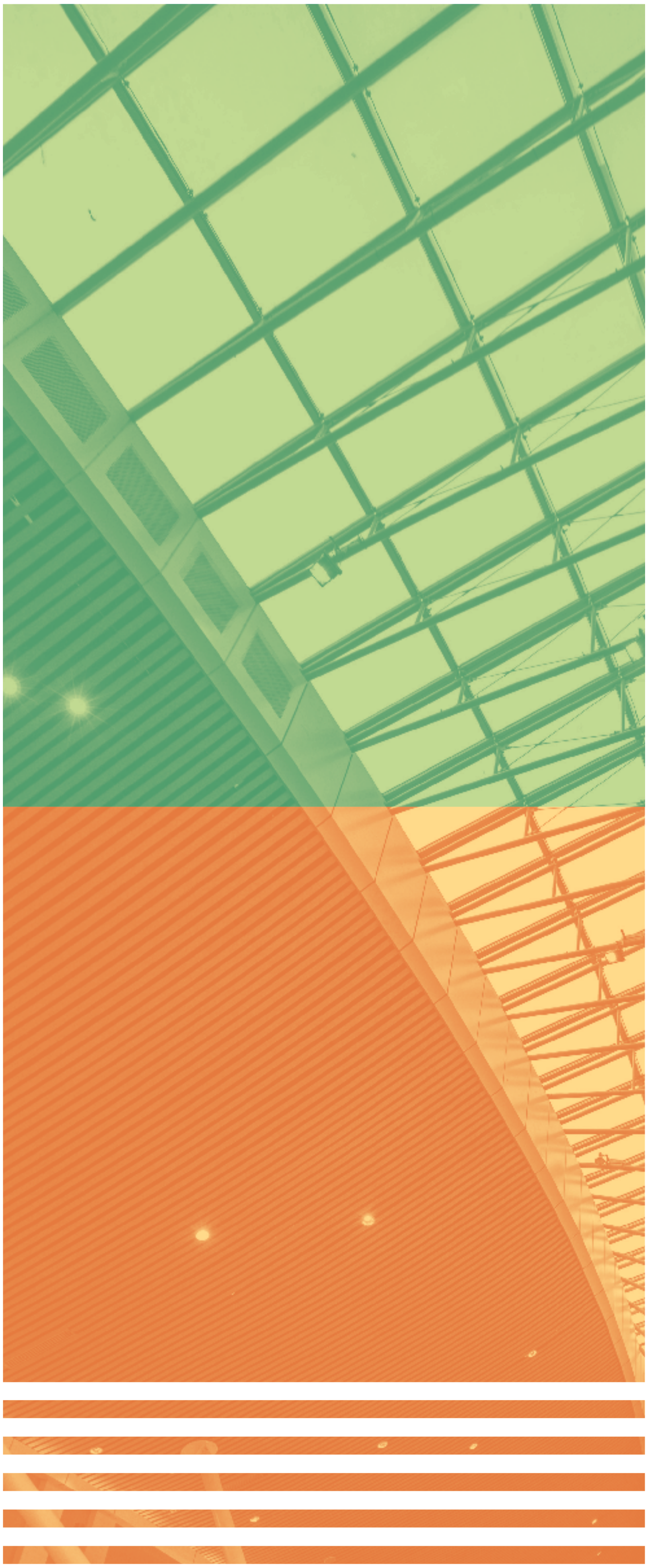

DIRECTORS' REPORT

The directors hereby presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

Details of the subsidiaries are disclosed in Note 15 to the financial statements.

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

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

RESULTS

	Group	Company
	RM'000	RM'000
(Loss)/profit net of tax	(1,116,196)	46,770
(Loss)/profit attributable to:		
Owners of the Company	(1,116,196)	46,770

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than those as disclosed in the notes to the financial statements.

SHARE CAPITAL

There was no issuance of equity during the current financial year.

DIRECTORS' REPORT

DIVIDENDS

The amount of dividends declared or paid by the Company since 31 December 2019 were as follows:

	RM'000
In respect of the financial year ended 31 December 2019 as reported in the directors' report of that year:	
Single-tier final dividend of 10 sen, on 1,659,191,828 ordinary shares, declared on 28 February 2020 and paid on 21 May 2020	165,919

The directors do not recommend the payment of any dividend in respect of the current financial year.

DIRECTORS

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

Dato' Seri Diraja Dr. Zambry bin Abd Kadir (appointed on 12 August 2020)
Tan Sri Datuk Zainun binti Ali (resigned on 11 August 2020)
Datuk Seri Yam Kong Choy
Datuk Zalekha binti Hassan
Rosli bin Abdullah
Dato' Ir. Mohamad bin Husin
Datuk Azailiza binti Mohd Ahad
Ramanathan a/l Sathiamutty
Wong Shu Hsien
Dato' Mohamad Nasir bin Ab Latif (appointed on 1 October 2020)
Dato' Zamzuri bin Abdul Aziz (appointed on 10 February 2020)
Dato' Dr. Amiruddin bin Muhamed [alternate director to Dato' Zamzuri bin Abdul Aziz] (appointed on 10 February 2020)
Dato' Jana Santhiran a/l Muniayan (resigned on 4 January 2021)
Jamilah binti Dato' Hashim (resigned on 30 September 2020)

DIRECTORS' REPORT

DIRECTORS (CONT'D.)

Directors of subsidiaries

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

Dato' Mohd Shukrie bin Mohd Salleh
Dato' Abu Bakar bin Mohd Nor
Dato' Dr. Mohd Fauzi bin Ramlan
Dr. Anuar bin Ariffin (appointed on 10 March 2020)
Stien Van Lutam (appointed on 1 July 2020)
Mohamad Radzuan bin Mazlan (appointed on 1 July 2020)
Samuel Ooi Thean Aun
Mansoor bin Wan Abdullah
Vivienne Lee Swee Lian @ Lee Abdullah
Mohamed bin Rastam Shahrom
Ahmad Tarmizi bin Mohd Hashim
Darwish Abdulla D Al-Darwish
Hani Ezra binti Hussin (appointed on 2 June 2020)
Megat Ardian Wira bin Mohd Aminuddin (appointed on 19 August 2020)
Mohammad Nazli bin Abdul Aziz
Mohd Arif bin Jaafar (appointed on 31 December 2020)
Nornajihah binti Ismail
Randhill Singh a/l Amrick Singh
Rosli bin Abdul Wahab
Abdurrahman Seref Can
Halil Ucarer
Shameem Kureemun
Georges Valery Magon
Ir. Khairiah binti Haji Salleh
Mohammad Suhaimi bin Abdul Mubin (resigned on 1 January 2021)
Datin Nik Ruziah binti Nik Mohd Salleh (resigned on 31 December 2020)
Mohd Shihabuddin bin Mukhtar (resigned on 31 December 2020)
Navin Nagawa [alternate director to Georges Valery Magon] (resigned on 3 September 2020)
Karina binti Dato' Muhammad Nor (resigned on 31 July 2020)
Dato' Che Azmi bin Murad (resigned on 24 June 2020)
Ir. Suradini binti Abdul Ghani (resigned on 5 June 2020)
Ahmad Rizal bin Omar (resigned on 2 June 2020)
Lindayani binti Tajudin (resigned on 31 May 2020)
Dato' Mohd Izani bin Ghani (resigned on 24 April 2020)
Veelayudan a/l Krishnan Nair (resigned on 21 April 2020)

DIRECTORS' REPORT

DIRECTORS' BENEFITS

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

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

The directors and officers of the Group and of the Company are covered by the Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance is maintained on a group basis and the total premium paid by the Group during the current financial year amounted to RM105,200.

DIRECTORS' INTERESTS

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONT'D.)

(c) At the date of this report, the directors are aware of the COVID-19 pandemic, which may have an impact on certain values attributed to current assets and valuation methods adopted by the Group and the Company.

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

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

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

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

(f) In the opinion of the directors:

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

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

(g) Note 37(i) to the financial statements discussed the management steps to address the current impact of the COVID-19 pandemic. The Board of Directors is confident that based on the strategies and the funding plans, the Group will be in a good stead to weather the current challenging environment.

SIGNIFICANT EVENTS DURING THE YEAR

Significant events during the year are disclosed in Note 37 to the financial statements.

AUDITORS

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

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

DIRECTORS' REPORT

INDEMNIFICATION OF AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 February 2021.

Dato' Seri Diraja Dr. Zambry bin Abd Kadir

Datuk Seri Yam Kong Choy

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Dato' Seri Diraja Dr. Zambry bin Abd Kadir and Datuk Seri Yam Kong Choy, being two of the directors of Malaysia Airports Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 16 to 157 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and the financial performance and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 February 2021.

Dato' Seri Diraja Dr. Zambry bin Abd Kadir

Datuk Seri Yam Kong Choy

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016

I, Mohamed bin Rastam Shahrom (MIA Number: 24197), 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 16 to 157 are, to the best of my knowledge and belief, 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 Mohamed bin Rastam Shahrom at Kuala Lumpur in the Federal Territory on 26 February 2021.

Mohamed bin Rastam Shahrom

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 2020 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 16 to 157.

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 2020, and of their financial performance and their cash flows for the year ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("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 (CONT'D.)

Key audit matters in respect of audit of the financial statements of the Group

Impairment of intangible assets

The intangible assets represent a significant amount on the statement of financial position of the Group as disclosed in Note 14 to the financial statements. Under Malaysian Financial Reporting Standards ("MFRS"), the Group is required to test the amount of intangible assets with finite useful life for impairment by comparing its recoverable amount with its carrying amount whenever there is an indication that the intangible assets may be impaired. COVID-19 has resulted in challenging operating environments in Malaysia and Turkey. This is an indication that the assets in Malaysia Airports (Sepang) Sdn. Bhd. ("MA Sepang"), Malaysia Airports Sdn. Bhd. ("Malaysia Airports"), and Istanbul Sabiha Gokcen Uluslararasi Havalimani Yatirim Yapim ve Isletme A.S. ("ISG") may be impaired. Arising from the assessment, an impairment loss of RM500.4 million was recorded in respect of Turkey's operations.

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.

Malaysia's Operations

We evaluated the directors' impairment assessment, which includes assessment of the cash flow forecasts and projections used in the models, the process by which they were drawn up and testing the underlying calculations. We challenged:

- The key assumptions for long-term growth rates in the forecasts by comparing them to historical results, and economic and industry forecasts; and
- The discount rate by assessing the cost of capital and that of comparable organisations.

We have also performed sensitivity analysis around the key drivers of the growth rates of the cash flow forecasts including the revenue growth. We have assessed the adequacy and appropriateness of the disclosures made in the financial statements.

Turkey's Operations

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 were 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. We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

KEY AUDIT MATTERS (CONT'D.)

Key audit matters in respect of audit of the financial statements of the Group (cont'd.)

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 directors' 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.

Amortisation of intangible assets

As at 31 December 2020, the net book value of intangible assets amounted to RM15.9 billion as disclosed in Note 14 to the financial statements. The useful lives of the intangible assets are amortised on based on usage.

We focused on this area because the Group's amortisation policy in respect of intangible assets are determined using the method which reflects 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.

<u>Malaysia's Operations</u>

We evaluated the directors' amortisation calculations, assessing the future passenger volume forecasts used in the models over the extended operating period, and the process by which they were drawn up and testing the underlying calculations. In testing the underlying calculations, we challenged the key assumptions for long-term growth rates of the passenger volumes in the forecast by comparing them to historical actual results, and economic and industry forecasts.

We also evaluated directors' estimates of the passenger growth and maximum capacity of passengers by taking into consideration external studies and industry benchmarks.

<u>Turkey's Operations</u>

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.

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

KEY AUDIT MATTERS (CONT'D.)

Key audit matters in respect of audit of the financial statements of the Group (cont'd.)

Recoverability of deferred tax assets

As at 31 December 2020, the Group's deferred tax assets amounted to RM465.0 million as disclosed in Note 22 to the financial statements. We focused on this area as the recognition of these assets involves judgement by directors as to the likelihood of the realisation of these deferred tax assets, which is based on a number of factors, including whether there will be sufficient taxable profits in future periods to support recognition.

The assessment of future taxable profits is a complex process and required significant management's judgements, in particular the judgements applied in respect of the expected future economic conditions of the industry which impact the revenue growth rates and operating costs of the Group.

Our procedures in relation to directors' assessment about the recoverability of deferred tax assets included:

- Understanding and assessing the identification process of temporary differences and calculating deferred tax assets;
- Evaluating directors' assessment on the sufficiency of future taxable profits in support of the recognition of deferred tax assets by comparing director's forecasts of future profits to historical results; and
- Evaluating the key assumptions applied in determining the profit forecasts and projections, supplemented by expectations of the future economic conditions, business plans and approved budgets.

Key audit matters in respect of audit of the financial statements of the Company

Impairment assessment on investments in subsidiaries

The Company is required to perform an impairment test on its investments in subsidiaries whenever there is an indication that these investments may be impaired.

There is an indication that the carrying amount of the Company's cost of investments in subsidiaries may be impaired as the entities had recorded losses during the year as a result of the COVID-19 pandemic.

Based on the impairment assessment performed by the management of the Company, there was no impairment loss recognised on the investments in subsidiaries during the year.

We consider this to be an area of focus for our audit as the amounts involved are significant, the assessment process is complex and involves significant management's judgements about future market and economic conditions and changes in assumptions may lead to a significant change in the recoverable amount of the investments in subsidiaries.

Our procedures to address this area of focus included, amongst others, the following:

- Obtaining an understanding of the relevant process and controls over management's assessment of the impairment of the investments in subsidiaries;
- Evaluating the appropriateness of the methodology and approach applied; and
- Evaluating whether key assumptions were reasonable, taking into consideration the current and expected operating outlook for the Group and its subsidiaries.

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

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Group and of the Company and take appropriate action.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OTHER MATTERS

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

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Ahmad Qadri Bin Jahubar Sathik
No. 03254/05/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
26 February 2021

STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Revenue	3	1,866,345	5,213,107	4,455	295,877
Cost of inventories sold		(90,917)	(435,628)	-	-
Other income	4	186,225	265,539	381,511	438,809
Employee benefits expenses	5	(742,618)	(919,960)	(136,062)	(203,067)
Depreciation and amortisation		(609,751)	(941,578)	(18,676)	(17,776)
Impairment on intangible assets	14	(500,380)	-	-	-
Other expenses		(1,197,418)	(1,831,046)	(51,267)	(72,358)
Finance costs	6	(663,771)	(726,001)	(131,133)	(140,629)
Share of results of associates	16	(15,988)	15,294	-	-
Share of results of joint ventures	17	4,412	19,424	-	-
(Loss)/profit before tax and zakat	7	(1,763,861)	659,151	48,828	300,856
Taxation and zakat	9	647,665	(122,109)	(2,058)	(50)
(Loss)/profit net of tax		(1,116,196)	537,042	46,770	300,806
(Loss)/profit attributable to:					
Owners of the Company		(1,116,196)	537,042	46,770	300,806
Earnings per share attributable to Owners of the Company					
(sen per share)					
- basic, for (loss)/profit for the year	10	(70.75)	28.90		

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 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
(Loss)/profit net of tax		(1,116,196)	537,042	46,770	300,806
Other comprehensive income:					
Foreign currency translation		128,592	(66,249)	-	-
Unrealised (loss)/gain on derivative financial instruments	31	(18,190)	6,871	-	-
Actuarial gain/(loss) on retirement benefits	28(b)(iii)	3,035	(3,103)	-	-
Other comprehensive profit/(loss) for the year, net of tax		113,437	(62,481)	-	-
Total comprehensive (loss)/income for the year		(1,002,759)	474,561	46,770	300,806
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(1,002,759)	474,561	46,770	300,806

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	Group	
		2020 RM'000	2019 RM'000
Assets			
Non-current assets			
Property, plant and equipment	12	433,670	455,048
Right-of-use assets	13	93,874	137,242
Intangible assets	14	15,894,104	16,062,606
Investments in associates	16	110,989	126,977
Investments in joint ventures	17	104,167	104,210
Financial assets at fair value through profit or loss	18	328,489	332,898
Trade and other receivables	20	404,648	365,588
Employee loans	21	21,487	24,759
Deferred tax assets	22	465,033	172,373
		17,856,461	17,781,701
Current assets			
Inventories	23	163,672	169,809
Biological assets	24	3,257	2,365
Trade and other receivables	20	533,814	973,653
Tax recoverable		27,496	46,173
Financial assets at fair value through profit or loss	18	720,558	1,755,820
Cash and cash equivalents	25	973,657	1,453,136
		2,422,454	4,400,956
Total assets		20,278,915	22,182,657

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	Group 2020 RM'000	Group 2019 RM'000
Equity and liabilities			
Equity attributable to Owners of the Company			
Share capital	26	5,114,341	5,114,341
Perpetual Sukuk	30	997,842	997,842
Retained earnings	27	1,944,898	3,284,671
Hedging reserve	31	(36,221)	(18,031)
Foreign exchange reserve	28(a)	74,387	(54,205)
Other reserves	28(b)	4,098	758
Total equity		8,099,345	9,325,376
Non-current liabilities			
Borrowings	29	4,550,430	3,685,721
Derivative financial instruments	31	36,166	33,861
Lease liabilities	32	62,506	95,586
Trade and other payables	33	5,350,241	4,851,810
Deferred tax liabilities	22	702,492	901,183
		10,701,835	9,568,161
Current liabilities			
Borrowings	29	94,298	1,247,012
Derivative financial instruments	31	13,000	16,198
Lease liabilities	32	31,354	37,250
Trade and other payables	33	1,324,975	1,956,793
Income tax payable		14,108	31,867
		1,477,735	3,289,120
Total liabilities		12,179,570	12,857,281
Total equity and liabilities		20,278,915	22,182,657

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	Company 2020 RM'000	Company 2019 RM'000
Assets			
Non-current assets			
Property, plant and equipment	12	51,603	94,681
Right-of-use assets	13	391	581
Intangible assets	14	9,169	-
Investments in subsidiaries	15	2,274,899	2,274,899
Investments in joint ventures	17	53,718	53,718
Financial assets at fair value through profit or loss	18	22,808	21,894
Other receivables	20	3,996,693	4,406,462
		6,409,281	6,852,235
Current assets			
Inventories	23	13	13
Other receivables	20	2,327,554	2,390,566
Tax recoverable		112	2,060
Financial assets at fair value through profit or loss	18	361,751	383,651
Cash and cash equivalents	25	50,693	37,860
		2,740,123	2,814,150
Total assets		9,149,404	9,666,385

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	Company 2020 RM'000	Company 2019 RM'000
Equity and liabilities			
Equity attributable to Owners of the Company			
Share capital	26	5,114,341	5,114,341
Perpetual Sukuk	30	997,842	997,842
Retained earnings	27	54,404	231,211
Total equity		6,166,587	6,343,394
Non-current liabilities			
Borrowings	29	2,800,000	2,100,000
Lease liabilities	32	130	200
		2,800,130	2,100,200
Current liabilities			
Borrowings	29	-	1,000,000
Lease liabilities	32	275	394
Other payables	33	182,412	222,397
		182,687	1,222,791
Total liabilities		2,982,817	3,322,991
Total equity and liabilities		9,149,404	9,666,385

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 2020

		Attributable to Owners of the Company						
		Non-distributable					Distributable	
	Note	Share capital RM'000 (Note 26)	Perpetual Sukuk RM'000 (Note 30)	Foreign exchange reserve RM'000 (Note 28(a))	Hedging reserve RM'000 (Note 31)	Other reserves RM'000 (Note 28(b))	retained earnings RM'000 (Note 27)	Total equity RM'000
Group								
At 1 January 2019		5,114,341	997,842	12,044	(24,902)	3,985	3,037,416	9,140,726
Total comprehensive income		-	-	(66,249)	6,871	(3,103)	537,042	474,561
Legal reserve	28(b)(ii)	-	-	-	-	(124)	-	(124)
Distribution to Perpetual Sukuk holder	30	-	-	-	-	-	(57,500)	(57,500)
Transaction with Owners of the Company								
Dividends	11	-	-	-	-	-	(232,287)	(232,287)
At 31 December 2019		5,114,341	997,842	(54,205)	(18,031)	758	3,284,671	9,325,376
At 1 January 2020		5,114,341	997,842	(54,205)	(18,031)	758	3,284,671	9,325,376
Total comprehensive loss		-	-	128,592	(18,190)	3,035	(1,116,196)	(1,002,759)
Legal reserve	28(b)(ii)	-	-	-	-	305	-	305
Distribution to Perpetual Sukuk holder	30	-	-	-	-	-	(57,658)	(57,658)
Transaction with Owners of the Company								
Dividends	11	-	-	-	-	-	(165,919)	(165,919)
At 31 December 2020		5,114,341	997,842	74,387	(36,221)	4,098	1,944,898	8,099,345

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 2020

	Note	Attributable to Owners of the Company — Non-distributable: Share capital RM'000 (Note 26)	Non-distributable: Perpetual Sukuk RM'000 (Note 30)	Distributable retained earnings RM'000 (Note 27)	Total equity RM'000
Company					
At 1 January 2019		5,114,341	997,842	220,192	6,332,375
Total comprehensive income		-	-	300,806	300,806
Distribution to Perpetual Sukuk holder	30	-	-	(57,500)	(57,500)
Transaction with Owners of the Company					
Dividends	11	-	-	(232,287)	(232,287)
At 31 December 2019		5,114,341	997,842	231,211	6,343,394
At 1 January 2020		5,114,341	997,842	231,211	6,343,394
Total comprehensive income		-	-	46,770	46,770
Distribution to Perpetual Sukuk holder	30	-	-	(57,658)	(57,658)
Transaction with Owners of the Company					
Dividends	11	-	-	(165,919)	(165,919)
At 31 December 2020		5,114,341	997,842	54,404	6,166,587

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 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from operating activities				
(Loss)/profit before tax and zakat	(1,763,861)	659,151	48,828	300,856
Adjustments for:				
Interest income	(29,009)	(32,648)	(721)	(2,258)
Unrealised (gain)/loss on fair value for:				
- unit trust	(2,490)	(5,009)	(1,619)	(2,452)
- unquoted shares	5,323	3,802	-	-
Dividend income	-	-	(4,455)	(295,877)
Interest expense	692,969	728,074	131,133	140,629
Gain from derivative financial instruments	(29,198)	(2,073)	-	-
Provision for liabilities	10,924	13,747	-	-
Writeback of provision for liabilities	(24,012)	(3,677)	(2,470)	(1,050)
Allowance for inventories	3,997	1,171	-	-
Gain on fair value of biological assets	(892)	(724)	-	-
Amortisation of:				
- intangible assets	518,892	845,070	3,025	-
Depreciation of:				
- property, plant and equipment	53,816	60,601	15,075	17,218
- right-of-use assets	37,043	35,907	576	558
Impairment on intangible assets	500,380	-	-	-
Net allowances/(writeback) of impairment on receivables	80,245	(18,968)	2,353	(34)
Gain on disposal of:				
- property, plant and equipment	(415)	-	-	-
- intangible assets	(18)	-	-	-
- quoted unit trust	-	(1,005)	-	(834)
Right-of-use assets written off	72	-	-	-
Property, plant and equipment written off	50	-	-	-
Intangible assets written off	305	13	-	-
Inventories written off	356	419	-	-
Investment income	(52,115)	(69,731)	(12,443)	(14,470)
Balance carried forward	2,362	2,214,120	179,282	142,286

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (cont'd.)				
Adjustments for: (cont'd.)				
Balance brought forward	2,362	2,214,120	179,282	142,286
Share of results of:				
- associates	15,988	(15,294)	-	-
- joint ventures	(4,412)	(19,424)	-	-
Operating profit before working capital changes	13,938	2,179,402	179,282	142,286
Decrease/(increase) in inventories	2,264	(43,776)	-	-
Decrease in receivables	384,106	32,947	52,607	-
(Decrease)/increase in payables	(410,552)	75,043	(39,477)	(68,449)
Increase/(decrease) in concession liabilities	5,336	(15,182)	-	-
Decrease in provisions for liabilities	(5,213)	(5,107)	-	-
Changes in related company balances	-	-	441,944	(126,842)
Cash (used in)/generated from operations	(10,121)	2,223,327	634,356	(53,005)
Taxes and zakat paid	(57,132)	(98,601)	(114)	(514)
Net cash (used in)/generated from operating activities	(67,253)	2,124,726	634,242	(53,519)
Cash flows from investing activities				
Purchase of:				
- property, plant and equipment	(30,990)	(64,048)	(3,196)	(31,178)
- intangible assets	(158,757)	(425,838)	(2,307)	-
- quoted unit trust	(1,379,872)	(1,518,885)	(1,023,351)	(379,057)
Proceeds from disposal of:				
- property, plant and equipment	509	-	-	-
- intangible assets	18	-	-	-
- quoted unit trust	2,426,308	1,132,255	1,045,955	505,301
Investment income received	42,519	29,739	11,696	13,985
Interest received	2,278	3,276	472	1,311
Dividend received from:				
- associates	-	2,100	-	-
- joint ventures	4,455	12,032	4,455	12,032
- subsidiaries	-	-	-	283,845
Net cash generated from/(used in) investing activities	906,468	(829,369)	33,724	406,239

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Drawdown of borrowings	1,000,000	-	1,000,000	-
Repayment of borrowings	(1,396,600)	(162,600)	(1,300,000)	-
Swap payment	(28,143)	(17,980)	-	-
Concession payment	(517,623)	(539,430)	-	-
Lease liabilities payment	(38,928)	(42,685)	(581)	(574)
Interest paid	(185,676)	(228,743)	(131,133)	(140,629)
Loan amendment fee	(33,461)	-	-	-
Dividends paid to shareholders of the Company	(165,919)	(232,287)	(165,919)	(232,287)
Distribution paid to Perpetual Sukuk holder	(57,500)	(57,342)	(57,500)	(57,342)
Net cash used in financing activities	(1,423,850)	(1,281,067)	(655,133)	(430,832)
Net movement in cash and cash equivalents	(584,635)	14,290	12,833	(78,112)
Effects of foreign currency translation	105,156	(11,625)	-	-
Cash and cash equivalents at beginning of year	1,453,136	1,450,471	37,860	115,972
Cash and cash equivalents at end of year (Note 25)	973,657	1,453,136	50,693	37,860

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

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 15. 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 26 February 2021.

1.2 Operating Agreements

On 12 February 2009, the Group signed the following:

(i) Operating Agreement for K.L. International Airport (KLIA) - between the Company, Malaysia Airports (Sepang) Sdn. Bhd. (MA (Sepang)) and the Government of Malaysia (GoM); and

(ii) Operating Agreement for Designated Airports - between the Company, Malaysia Airports Sdn. Bhd. (MASB) and the GoM.

The Operating Agreements include the following salient terms:

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

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

1.2 Operating Agreements (cont'd.)

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

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

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

ISG, via the Implementation Agreement signed with the Undersecretariat for Defence Industries, Turkey (the Administration) has been given the rights to operate Istanbul Sabiha Gokcen International Airport (ISGIA) for a period of 22 years commencing 1 May 2008. On 20 October 2017, ISG has signed an additional agreement with the Administration and gained an additional right to operate Facility for an extended period of 2.5 years until 27 August 2032.

The Implementation Agreement includes the following salient information:

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

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

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

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

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

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

(e) ISG is responsible for:

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company are prepared in accordance with Malaysian Financial Reporting Standards (MFRS) as issued by the Malaysian Accounting Standards Board (MASB), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements have been prepared under the historical cost basis unless otherwise disclosed in the respective significant accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) which is also the Company's functional currency and all values are rounded to the nearest thousand (RM'000), except when otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies

On 1 January 2020, the Group and the Company adopted new and amended MFRSs which are mandatory for annual financial periods beginning on or after 1 January 2020.

Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 3	Business Combinations (on Definition of a Business)
Amendments to MFRS 16	Leases (COVID-19 Related Rent Concessions)
Amendments to MFRS 101	Presentation of Financial Statements (on Definition of Material)
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors (on Definition of Material)
The Conceptual Framework	Revised Conceptual Framework for Financial Reporting

The adoption of the above amendments did not have any material impact on the financial performance or position of the Group and of the Company.

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to date of issuance of the Group's financial statements are disclosed below:

Effective for financial periods beginning on or after 1 January 2021

Amendments to MFRS 4	Insurance Contracts (on Interest Rate Benchmark Reform)
Amendments to MFRS 7	Financial Instruments: Disclosures (on Interest Rate Benchmark Reform)
Amendments to MFRS 9 and MFRS 139	Financial Instruments (on Interest Rate Benchmark Reform)
Amendments to MFRS 16	Leases (on Interest Rate Benchmark Reform)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Effective for financial periods beginning on or after 1 January 2022

Amendments to MFRS 3	Business Combinations (Reference to the Conceptual Framework)
Amendments to MFRS 116	Property, Plant and Equipment (Proceeds before Intended Use)
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts-Cost of Fulfilling a Contract)

Effective for financial periods beginning on or after 1 January 2023

Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 101	Presentation of Financial Statements (Classification of Liabilities as Current or Non-Current)

Effective date yet to be determined

Amendments to MFRS 10	Consolidated Financial Statements (On Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)
Amendments to MFRS 128	Investments in Associates and Joint Ventures (On 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.

2.4 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

A subsidiary is an entity over which the Group has all of the following:

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(i) Subsidiaries (cont'd.)

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 2020. 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 arrangements with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(ii) Basis of consolidation (cont'd.)

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

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

(b) Investments in associates and joint ventures

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

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

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

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

(c) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) Intangible assets (cont'd.)

(i) Concession rights

(a) Airport operation rights in Malaysia

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

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

(b) Airport operations right in Turkey

As disclosed in Note 1.3, ISG via the Implementation Agreement signed with the Administration has given the rights to operate ISGIA for the period of 22 years commencing 1 May 2008. On 20 October 2017, ISG has signed an additional agreement with the Administration and gained an additional right to operate Facility for an extended period of 2.5 years, until 27 August 2032.

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

The airport operations right is amortised over the operation period, starting from the date the right is available for use. Accordingly, ISG started to amortise the first phase of the airport operations right, cost of which is measured as the fair value of Utilisation Fees payable, on 1 May 2008 (for extended period of 2 years on 15 October 2009), whereas the second phase, cost of which is measured as the fair value of the consideration receivable for the construction services delivered started to be amortised following the completion of the construction by November 2009. ISG's amortisation policy in respect of airport operations right is determined based on the method reflecting the asset's usage based on passengers volume to reflect the usage of airport activities over the operation period. Amortisation method and underlying assumptions are reviewed for validity at each period.

NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) Intangible assets (cont'd.)

(i) Concession rights (cont'd.)

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

The concession rights also includes identifiable intangible asset of SGC Havalimani Isletmeleri Ticaret ve Turizm A.S. (SGC) (formerly known as LGM) long-term service contract with ISG to operate the food and beverage operations, CIP lounges and the hotel. The contract expired at the end of 2019 and MAHB intends to extend this contract until the end of the operation period in 2030, which was further extended for an additional 2.5 years ending 2032.

(ii) Infrastructure and construction assets

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

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

(d) Fair value measurement

The Group measures financial instruments, such as, derivatives, unit trusts, at fair value at each reporting date. Fair values of financial instruments are disclosed in Note 19.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

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

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

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

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

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

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

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

The Group's valuation committee determines the policies and procedures for both recurring fair value measurement, such as unquoted financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation. The valuation committee comprises of the heads of the Group's internal mergers and acquisition team, the head of the risk management department and chief financial officer.

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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.

(e) 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 MFRS 116 Property, Plant and Equipment and is recognised as an asset when:

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

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

(iii) ready for its intended use.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

Freehold land	Not depreciated
Leasehold land	Over lease period
Buildings and building renovation	2% - 20%
Hotel property	2%
Infrastructure, safety equipment and motor vehicles	4% - 50%
Office, communication and electronic equipment	10% - 50%
Furniture and fittings	10% - 20%
Plant and machinery	10% - 20%
Crockery, glassware, cutlery and linen	20%
Capital improvements	13%
Plantation development expenditure	4%

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

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.

(f) 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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 cash generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

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

(g) Inventories

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Biological assets

Biological assets comprise of produce growing on bearer plants. Biological assets are classified as current assets and measured at fair value for bearer plants that are expected to be harvested and sold or used for production on a date not more than 1 month after the reporting date.

Biological assets are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell are recognised in profit or loss.

(i) Planting development expenditure

New planting expenditure incurred on land clearing and upkeep of trees is capitalised under plantations.

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

(j) Replanting expenditure

Replanting expenditure incurred during the year is recognised in the income statement. Replanting expenditure represents the total cost incurred from land clearing to the point of harvesting.

(k) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(k) Financial assets (cont'd.)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

(i) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables, employee loans and cash and cash equivalents.

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

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes quoted unit trust and bonds in Malaysia.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(k) Financial assets (cont'd.)

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(l) Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. The ECLs is based on lifetime expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(l) Impairment of financial assets (cont'd.)

The Group considers a financial asset in default when contractual payment are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

(m) Derivative financial instruments and hedging activities

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

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

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

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(m) Derivative financial instruments and hedging activities (cont'd.)

(ii) Cash flow hedge

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

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

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

(n) Cash and cash equivalents

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

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

(o) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(o) Leases (cont'd.)

(i) As lessee (cont'd.)

Right-of-use assets

The Group recognises right-of-use at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentive received. Right-of-use assets are depreciated on a straight-line basis over the lease term of the assets, as follows:

Airport equipment	3-12 years
Office equipment	3 years
Motor vehicles	3-5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.4(f).

The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and these contracts do not require the Group to maintain certain financial ratios.

The Group's right-of-use assets are included in Note 13.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease also includes exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(o) Leases (cont'd.)

(i) As lessee (cont'd.)

Lease liabilities (cont'd.)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date or the interest rate implicit if it is determine in the contract. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Note 32.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases have a lease term of 12 months or less). The Group also applies the leases of low-value assets recognition exemption to leases of airports and office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(ii) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(q) Contract assets and contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customer. In the case of construction contracts, contract liability is the excess of the billings to-date over the cumulative revenue earned. Contract liabilities include downpayments received from customers and other deferred income where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customers.

(r) Income tax and zakat

(i) Current tax

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

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

(ii) Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(ii) Deferred tax (cont'd.)

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.

(iii) Zakat

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(s) Provisions for liabilities

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

(t) Financial liabilities

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

Financial liabilities, within the scope of MFRS 9, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(u) Concession liabilities

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

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

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

(v) Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution plans

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

(iii) Defined benefit plans

In accordance with the existing social legislation in Turkey, ISG and SGC (formerly known as 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(v) Employee benefits (cont'd.)

(iii) Defined benefit plans (cont'd.)

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.

(w) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions and balances

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

(iii) Foreign operations

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(w) Foreign currencies (cont'd.)

(iii) Foreign operations (cont'd.)

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

	2020 RM	2019 RM
United States Dollar (USD)	4.02	4.09
Great Britain Pound (GBP)	5.49	5.38
Singapore Dollar (SGD)	3.04	3.04
Euro (EUR)	4.94	4.59
Switzerland Swiss Franc (CHF)	4.56	4.23
China Renminbi (RMB)	0.61	0.60
Hong Kong Dollar (HKD)	0.52	0.53
Qatari Riyal (QAR)	1.10	1.12
Australian Dollar (AUD)	3.10	2.87
Turkish Lira (TRY)	0.52	0.73
Indian Rupee (INR)	0.05	0.06
Canadian Dollar (CAD)	3.15	3.14
Danish Krone (DKK)	0.66	0.62

(x) User Fee

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(y) Utilisation Fee

The Utilisation Fee liability represents the present value of amounts payable to the Administration in accordance with the Implementation Agreement for the operation of the ISGIA for 20 years plus 22 months of extension period. In the previous year, ISG has obtained a second extension of the Implementation Agreement for another 2.5 years to year 2032. The Utilisation Fee liability is discounted to present value, at a rate of 8.6% for payments until 2014, and at a rate of 9% for the remaining payments, whereas the payments for first extension period is discounted to present value at a rate of 10.5% and the payments for the second extension period is discounted to present value at a rate of 8.55%.

(z) Revenue recognition

Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

(i) Dividend income

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

(ii) Sale of goods

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

(iii) Revenue from services

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

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(z) Revenue recognition (cont'd.)

(iv) Marginal Cost Support Sum (MARCS) (cont'd.)

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

As stipulated in the Operating Agreement, the Benchmark Passenger Service Charge (PSC) rate is revised every 5 years based on the agreed calculation. The 3rd Tariff Cycle revision became effective on 12 February 2019. MARCS PSC of RM51,692,000 (2019: RM74,208,000) was recognised during the year for the difference between actual PSC and Benchmark PSC rate.

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

(v) Revenue from hotel operations

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

(vi) Interest income

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

(vii) Construction revenue

Under such concession agreements, the Group is engaged to build, operate and construct airport buildings and related infrastructure. The Group recognises construction revenue over time as the project being constructed has no alternative uses to the Group and it has an enforceable right to the payment for performance completed to date. The stage of completion is measured using the input method, which is based on the total actual construction cost incurred to date as compared to the total budgeted costs for the respective construction projects. Where the outcome of the construction cannot be estimated reliably, revenue is recognised to the extent of construction costs incurred if it is probable that they will be recoverable. Construction costs are recognised as expenses in the year in which they are incurred.

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(aa) Disposal groups classified as held for sale and discontinued operations (cont'd.)

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

(ab) Concession contracts

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

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

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

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

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

(ac) IC Interpretation 12 - Service Concession Arrangements

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

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

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

(ad) Equity instruments and related expenses

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting judgements and estimates

The preparation of the Group's financial statements require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of income, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Although these estimates and judgements are based on management's best knowledge of current events and actions, actual results may differ. The most significant uses of judgements and estimates are as follows:

(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) Revenue recognition

Significant judgement is applied to determine the accrued revenue for aeronautical debtors based on the number of airlines, landing, parking, aerobridge, counter check-in and timing of billings.

As at reporting date, the amount of accrued revenue for aeronautical debtors as disclosed in Note 20 comprised approximately 1% (2019: 2%) of the total revenue.

(iii) 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 the prepaid land lease payments was classified as right-of-use assets.

(iv) Contingent liabilities - litigation

As disclosed in the Note 35(b), the Group has several pending litigations with various parties as at current financial year end. The Group, after due consultation with the Group's solicitors, assesses the merit of each case, and makes the necessary provision for liabilities in the financial statements if their crystallisation are deemed as probable.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(v) Impairment of intangible assets

The Group tests periodically whether the intangible assets is required to be impaired, by measuring the recoverable amount of the CGU based on the value in use method, which requires the use of estimates of future cash flow projections, terminal growth rates and discount rates. Changes to the assumptions used by management, particularly the discount rate and the terminal value, may affect the results of the impairment assessment.

(vi) Expected credit losses (ECL)

The Group applies a simplified approach in calculating ECL. The ECL is based on lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(vii) Valuation of unquoted investments designated as FVTPL

As the fair value of the investments designated as FVTPL cannot be derived from active market, fair value is determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as discount for lack of marketability. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(viii) 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.

(ix) 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 22.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(x) Impairment of investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures (investments) are for a long-term basis and the Group and the Company determine whether the carrying amounts of its investments 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.

(xi) Concession liabilities

As disclosed in Notes 2.4(u) and 2.4(ac), the Group recognised an asset and a liability at an amount equal to the fair value of the underlying asset as determined in the agreement and subsequently the liability shall be reduced when payments are made.

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 RM75,000 or lower by RM104,000 respectively.

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

5.5% per annum over the period of 20 years ending 2033. Had the estimation of the finance charge increase or decrease by 10% of the discount rate used, the net interest charged would be higher by approximately RM1,852,000 or lower by RM1,811,000 respectively.

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

The Utilisation Fee liability represents the present value of amounts payable to the Administration in accordance with the Implementation Agreement for the operation of the ISGIA for 20 years plus 22 months of extension period, being the first extension period. In the previous year, ISG has obtained second extension period of 2.5 years after the first extension period ended. The Utilisation Fee liability is discounted to present value, at a rate of 8.6% for payments until 2014, and at a rate of 9% for the remaining payments, whereas the payments for first extension period is discounted to present value at a rate of 10.5% and the payments for the second extension period is discounted to present value at a rate of 8.55%.

(xiii) Biological assets

The fair value of biological assets are computed based on the estimated quantity of fresh fruits bunches (FFBs) forecasted and the observable current market price of FFBs at each point of fair value.

3. REVENUE

Revenue comprises of the following:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers (a)	1,866,345	5,213,107	-	-
Revenue from other source:				
- dividend income from:				
- subsidiaries	-	-	-	283,845
- joint ventures	-	-	4,455	12,032
	1,866,345	5,213,107	4,455	295,877

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

		For the year ended 31 December 2020		
		Malaysia	Overseas	Total
	Note	RM'000	RM'000	RM'000
Airport operations:				
- Airport services:				
- Aeronautical		557,212	370,677	927,889
Less: Rebate	(i)	(38,275)	(3,374)	(41,649)
		518,937	367,303	886,240
- Non-aeronautical		590,288	191,873	782,161
Less: Rebate	(ii)	(124,153)	(15,027)	(139,180)
		466,135	176,846	642,981
- Duty free and non-dutiable goods		153,222	-	153,222
Non-airport operations:				
- Agriculture and horticulture		34,703	-	34,703
- Hotel operations		42,269	5,572	47,841
- Project and repair maintenance		18,605	82,753	101,358
Total revenue from contracts with customers		1,233,871	632,474	1,866,345
Timing of revenue recognition				
- at a point in time		1,215,266	549,721	1,764,987
- over time		18,605	82,753	101,358
Total revenue from contracts with customers		1,233,871	632,474	1,866,345

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

3. REVENUE (CONT'D.)

(a) Breakdown of the Group's revenue from contracts with customers as follows: (cont'd.)

	For the year ended 31 December 2019		
	Malaysia RM'000	Overseas RM'000	Total RM'000
Airport operations:			
- Airport services:			
- Aeronautical	2,038,345	771,165	2,809,510
Less: Airline incentives	(44,859)	-	(44,859)
	1,993,486	771,165	2,764,651
- Non-aeronautical	800,574	510,730	1,311,304
- Duty free and non-dutiable goods	850,224	-	850,224
Non-airport operations:			
- Agriculture and horticulture	26,932	-	26,932
- Hotel operations	88,577	9,675	98,252
- Project and repair maintenance	15,158	146,586	161,744
Total revenue from contracts with customers	3,774,951	1,438,156	5,213,107
Timing of revenue recognition			
- at a point in time	3,759,793	1,291,570	5,051,363
- over time	15,158	146,586	161,744
Total revenue from contracts with customers	3,774,951	1,438,156	5,213,107

Included in aeronautical revenue is income from MARCS PSC and MARCS ERL total of RM69,814,000 (2019: RM169,924,000).

As a result of the impact of the COVID-19 pandemic, the Group had provided:

Malaysia's operation

(i) Rebates - Aeronautical
30% of rebate on Non Passenger Service Charges (PSC) billings issued from July to December 2020 and to settle the remaining outstanding up to 12 months instalment with 6% interest per annum effective January 2021.

(ii) Rebates - Non-aeronautical
Rental Relief Package which offers rental rebate subject to certain conditions to assist airport tenants who are struggling from the financial impact of COVID-19. More than 250 tenants who have accepted the offer have expressed great relief on the support given to help them continue operating at the airport and ease their cashflow.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

3. REVENUE (CONT'D.)

(a) Breakdown of the Group's revenue from contracts with customers as follows: (cont'd.)

As a result of the impact of the COVID-19 pandemic, the Group had provided: (cont'd.)

Turkey's operation

100% rebates for rental space to tenants from April to May 2020 due to the closure of airport and variable rebates up to 50% of revenue from June to December 2020. In addition to that, 20% rebates on bridge revenues and check-in counter revenues were given to airlines from July to December 2020.

4. OTHER INCOME

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Interest income:				
- Unquoted investments	1,153	2,034	721	1,311
- Employee loans	1,124	1,242	-	-
- Other loans and receivables	26,732	29,372	-	947
Unrealised gain/(loss) on fair value for:				
- quoted unit trust	2,490	5,009	1,619	2,452
- unquoted shares	(5,323)	(3,802)	-	-
Investment income:				
Fair value through profit or loss:				
- quoted in Malaysia	36,886	58,762	6,849	11,825
- unquoted outside Malaysia	6,160	-	-	-
- unquoted short-term investments	9,069	10,969	5,594	2,645
Rental income:				
- Minimum lease payments	6,251	9,657	-	-
Gain on disposal of:				
- property, plant and equipment	415	-	-	-
- intangible assets	18	-	-	-
- quoted unit trust	-	1,005	-	834
Net realised foreign exchange gain/(loss)	1,014	7,500	705	(658)
Management fee charged to subsidiaries	-	-	172,229	217,127
Recoupment of expenses	76,919	107,981	188,768	198,100
Miscellaneous	23,317	35,810	5,026	4,226
	186,225	265,539	381,511	438,809

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

5. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Wages and salaries	540,460	554,899	111,108	111,529
Bonus	(11,255)	110,031	(9,153)	34,977
Contributions to defined contribution plans	80,423	94,794	16,662	24,306
Social security contributions	6,630	6,660	956	968
Net writeback of provision for short-term accumulating compensated absences (Note 33)	(9,707)	(3,574)	(2,470)	(1,050)
Other employee benefits	136,067	157,150	18,959	32,337
	742,618	919,960	136,062	203,067

6. FINANCE COSTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest expense on:				
- concession payables and borrowings	199,282	218,978	131,110	140,600
- financial liabilities	487,958	499,331	-	-
- lease liabilities (Note 32)	5,729	9,765	23	29
Gain from derivative financial instruments (Note 31)	(29,198)	(2,073)	-	-
	663,771	726,001	131,133	140,629

7. (LOSS)/PROFIT BEFORE TAX AND ZAKAT

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-executive directors' remuneration excluding benefits-in-kind (Note 8)	3,663	3,566	2,807	2,659
Auditors' remuneration:				
- statutory				
- auditors of the Company (Malaysia operations)	929	894	315	280
- auditors of the Company (Overseas operations)	177	456	-	-
- other auditors (other than Ernst & Young PLT)	258	19	21	19
- other services				
- auditors of the Company	111	382	30	30
- other than Ernst & Young PLT	184	-	-	-
User fee expenses	148,510	461,533	-	-
Rental expenses	42,334	59,706	3,264	5,482
Gain on fair value of biological assets	(892)	(724)	-	-
Depreciation of:				
- property, plant and equipment (Note 12)	53,816	60,601	15,075	17,218
- right-of-use assets (Note 13)	37,043	35,907	576	558
Amortisation of:				
- intangible assets (Note 14)	518,892	845,070	3,025	-
Impairment on intangible assets (Note 14)	500,380	-	-	-
Property, plant and equipment written off (Note 12)	50	-	-	-
Intangible assets written off (Note 14)	305	13	-	-
Right-of-use assets written off (Note 13)	72	-	-	-
Net allowance/(writeback) of impairment of receivables (Note 20)	80,245	(18,968)	2,353	(34)
Inventories written off	356	419	-	-
Allowance for inventories	3,997	1,171	-	-
Utility charges	324,700	437,787	2,883	2,842

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

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

The following items have been included in arriving at (loss)/profit before tax and zakat: (cont'd.)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Repair and maintenance costs	263,462	375,439	15,489	15,037
Legal and other professional fees	29,046	28,256	7,198	8,143

User fee expenses amounting to RM148,510,000 (2019: RM461,533,000) relate to payments made to the GoM for operating rights. User fee rates range from 12.26% to 12.45% (2019: 11.98% to 12.20%) and are calculated on gross revenues of the Group from activities carried out at KLIA and other Designated Airports excluding reimbursements, interest income, recovery of bad debts or inter-company transactions.

8. DIRECTORS' REMUNERATION

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-executive directors' remuneration (Note 7):				
- Fees	2,368	2,199	1,640	1,461
- Other emoluments	1,295	1,367	1,167	1,198
	3,663	3,566	2,807	2,659
Total directors' remuneration	3,663	3,566	2,807	2,659
Estimated money value of benefits-in-kind	237	163	237	163
Total directors' remuneration including benefits-in-kind	3,900	3,729	3,044	2,822

8. DIRECTORS' REMUNERATION (CONT'D.)

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Executive:				
- Estimated money value of benefits-in-kind	-	10	-	10
Non-executive:				
- Fees	2,368	2,199	1,640	1,461
- Other emoluments	1,295	1,367	1,167	1,198
- Estimated money value of benefits-in-kind	237	153	237	153
	3,900	3,729	3,044	2,822

Included in the Group non-executive directors' fees and other emoluments were the subsidiaries directors' fees and other emoluments of RM728,000 (2019: RM738,000) and RM128,000 (2019: RM169,000) respectively.

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

	Number of directors	
	2020	2019
Non-executive directors:		
Less than RM50,000	5	2
RM50,001 – RM100,000	1	1
RM100,001 – RM150,000	-	1
RM150,001 – RM200,000	1	1
RM200,001 – RM250,000	5	2
RM250,001 – RM300,000	6	5
RM300,001 – RM350,000	-	1
RM350,001 – RM400,000	-	1

NOTES TO THE FINANCIAL STATEMENTS
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9. TAXATION AND ZAKAT

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	10,257	101,833	-	-
- Foreign tax	5,819	10,355	-	-
- (Over)/under provision of income tax in prior years	(135,568)	(10,613)	2,058	-
	(119,492)	101,575	2,058	-
Deferred tax (Note 22):				
- Relating to origination and reversal of temporary differences	(561,490)	35,362	9,169	-
- Under/(over) provision of deferred tax in prior years	31,822	(20,953)	(9,169)	-
	(529,668)	14,409	-	-
	(649,160)	115,984	2,058	-
Income tax (credit)/expense	(649,160)	115,984	2,058	-
Zakat	1,495	6,125	-	50
Total income tax (credit)/expense and zakat	(647,665)	122,109	2,058	50

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

9. TAXATION AND ZAKAT (CONT'D.)

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

The reconciliations between tax (credit)/expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2020 and 2019 are as follows:

	2020 RM'000	2019 RM'000
Group		
(Loss)/profit before tax and zakat	(1,763,861)	659,151
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	(423,327)	158,196
Different tax rates in other countries	6,396	(3,727)
Tax effects of share of results of associates and joint ventures	2,778	(8,332)
Income not subject to tax	(4,979)	(9,355)
Expenses not deductible for tax purposes	49,299	38,656
Deferred tax asset recognised on investment tax allowances	(246,394)	(3,201)
Deferred tax assets not recognised in respect of current year's tax losses, unabsorbed capital allowances and other deductible temporary differences	79,297	-
Utilisation of previously unrecognised tax losses, unabsorbed capital allowances and investment tax allowances	(8,484)	(24,687)
Overprovision of income tax in prior years	(135,568)	(10,613)
Under/(over) provision of deferred tax in prior years	31,822	(20,953)
Income tax (credit)/expense for the year	(649,160)	115,984

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

9. TAXATION AND ZAKAT (CONT'D.)

Reconciliation between tax (credit)/expense and accounting (loss)/profit (cont'd.)

The reconciliations between tax (credit)/expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2020 and 2019 are as follows: (cont'd.)

	2020 RM'000	2019 RM'000
Company		
Profit before tax and zakat	48,828	300,856
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	11,719	72,205
Income not subject to tax	(17,754)	(82,912)
Expenses not deductible for tax purposes	11,267	12,745
Utilisation of previously unrecognised unabsorbed capital allowances	(5,747)	(2,038)
Deferred tax assets not recognised in respect of current year's unabsorbed capital allowances	9,684	-
Underprovision of income tax in prior years	2,058	-
Overprovision of deferred tax in prior years	(9,169)	-
Income tax expense for the year	2,058	-

Current income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the estimated assessable (loss)/profit for the year.

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

During the year, Inland Revenue Board (IRB) upon completion of its audit, issued a 'Notice of Reduced Assessment' to MA (Sepang) for the taxes paid in prior years and subsequently refunded RM164,469,000. The outcome of the IRB's audit also gave confirmation and clarity to the ability of the Company to utilise the investment allowance granted of which the directors are of the view it can be utilised against its future taxable profits.

Deferred tax assets of the Group and of the Company have not been recognised in respect of the following items:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unutilised tax losses	344,781	25,780	66,103	25,751
Unabsorbed capital allowances	25,953	49,901	25,953	49,901
	370,734	75,681	92,056	75,652

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

10. EARNINGS PER SHARE

(a) Basic

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

	Group	
	2020 RM'000	2019 RM'000
(Loss)/profit attributable to Owners of the Company	(1,116,196)	537,042
Distribution to Perpetual Sukuk holders	(57,658)	(57,500)
Net (loss)/profit attributable to Owners of the Company	(1,173,854)	479,542

	Group	
	2020	2019
Weighted average number of ordinary shares in issue ('000)	1,659,192	1,659,192

	Group	
	2020 sen	2019 sen
Basic earnings per share for:		
- Basic, for (loss)/profit for the year	(70.75)	28.90

(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 or outstanding shares between the current financial year end and the date of the report.

NOTES TO THE FINANCIAL STATEMENTS
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11. DIVIDENDS

	Dividends in respect of year		Dividends recognised in year	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Recognised during the year:				
Final dividend for 2019:				
on 1,659,191,828 ordinary shares				
- single-tier 10 sen, per ordinary share	-	165,919	165,919	-
Interim dividend for 2019:				
on 1,659,191,828 ordinary shares				
- single-tier 5 sen, per ordinary share	-	82,960	-	82,960
Final dividend for 2018:				
on 1,659,191,828 ordinary shares				
- single-tier 9 sen, per ordinary share	-	-	-	149,327
	-	248,879	165,919	232,287

Dividend paid during current financial year

A single-tier final dividend of 10 sen per ordinary share in respect of the financial year ended 31 December 2019 was approved by the Board of Directors on 28 February 2020. The final dividend amounting to RM165,919,183 was paid on 21 May 2020.

The directors do not recommend the payment of any dividend in respect of the current financial year.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

12. 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	Plantation development expenditure RM'000	Capital work-in-progress RM'000	Total RM'000
Group								
At 31 December 2020								
Cost								
At 1 January 2020	228,497	123,555	30,812	509,701	30,988	103,044	83,667	1,110,264
Additions	105	-	238	7,361	426	1,244	29,617	38,991
Written off	-	(28)	(1,031)	(15,653)	(478)	(190)	-	(17,380)
Transfers	42,967	-	-	11,230	83	(404)	(53,876)	-
Reclassified to intangible assets	-	-	-	-	-	-	(7,692)	(7,692)
Disposal	-	-	-	(405)	-	-	-	(405)
Foreign currency translation	649	-	16	4,091	873	-	55	5,684
At 31 December 2020	272,218	123,527	30,035	516,325	31,892	103,694	51,771	1,129,462
Accumulated depreciation and impairment								
At 1 January 2020	67,722	73,137	18,798	419,452	26,318	46,899	2,890	655,216
Charge for the year (Note 7)	12,767	3,988	99	31,153	1,787	4,022	-	53,816
Written off	-	(9)	(1,031)	(15,624)	(476)	(190)	-	(17,330)
Disposal	-	-	-	(311)	-	-	-	(311)
Foreign currency translation	191	-	13	3,178	1,019	-	-	4,401
At 31 December 2020	80,680	77,116	17,879	437,848	28,648	50,731	2,890	695,792
Analysed as:								
Accumulated depreciation	79,489	77,116	8,369	415,942	28,648	50,731	-	660,295
Accumulated impairment loss	1,191	-	9,510	21,906	-	-	2,890	35,497
	80,680	77,116	17,879	437,848	28,648	50,731	2,890	695,792
Net carrying amount	191,538	46,411	12,156	78,477	3,244	52,963	48,881	433,670

NOTES TO THE FINANCIAL STATEMENTS
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12. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Property and buildings RM'000	Hotel property RM'000	Safety equipment and motor vehicles RM'000	Office, communication and electronic equipment, furniture and fittings RM'000	Plant and machinery, crockery, glassware, cutlery and linen RM'000	Plantation development expenditure RM'000	Capital work-in-progress RM'000	Total RM'000
Group								
At 31 December 2019								
Cost								
At 1 January 2019	213,578	121,620	30,504	465,122	28,619	105,881	54,062	1,019,386
Additions	1,433	-	337	21,312	1,564	1,116	38,286	64,048
Written off	-	-	-	(4,122)	(384)	-	-	(4,506)
Transfers	13,497	1,935	-	30,344	1,189	(3,953)	(8,681)	34,331
Foreign currency translation	(11)	-	(29)	(2,955)	-	-	-	(2,995)
At 31 December 2019	228,497	123,555	30,812	509,701	30,988	103,044	83,667	1,110,264
Accumulated depreciation and impairment								
At 1 January 2019	59,805	69,187	18,198	383,063	24,476	42,918	2,890	600,537
Charge for the year (Note 7)	7,924	3,950	627	41,893	2,226	3,981	-	60,601
Written off	-	-	-	(4,122)	(384)	-	-	(4,506)
Foreign currency translation	(7)	-	(27)	(1,382)	-	-	-	(1,416)
At 31 December 2019	67,722	73,137	18,798	419,452	26,318	46,899	2,890	655,216
Analysed as:								
Accumulated depreciation	66,531	73,137	9,288	397,546	26,318	46,899	-	619,719
Accumulated impairment loss	1,191	-	9,510	21,906	-	-	2,890	35,497
	67,722	73,137	18,798	419,452	26,318	46,899	2,890	655,216
Net carrying amount	160,775	50,418	12,014	90,249	4,670	56,145	80,777	455,048

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Building RM'000	Motor vehicles RM'000	Office equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Company					
At 31 December 2020					
Cost					
At 1 January 2020	31,954	4,578	163,150	39,217	238,899
Additions	-	-	172	6,764	6,936
Reclassified to intangible assets	-	-	-	(7,692)	(7,692)
Transfers	7	-	8,598	(8,605)	-
Intercompany transfer	-	-	-	(27,247)	(27,247)
At 31 December 2020	31,961	4,578	171,920	2,437	210,896
Accumulated depreciation and impairment					
At 1 January 2020	12,210	3,754	128,254	-	144,218
Charge for the year (Note 7)	884	-	14,191	-	15,075
At 31 December 2020	13,094	3,754	142,445	-	159,293
Net carrying amount	18,867	824	29,475	2,437	51,603
At 31 December 2019					
Cost					
At 1 January 2019	31,758	4,262	141,136	30,573	207,729
Additions	-	316	648	30,214	31,178
Written off	-	-	(8)	-	(8)
Transfers	196	-	21,374	(21,570)	-
At 31 December 2019	31,954	4,578	163,150	39,217	238,899
Accumulated depreciation and impairment					
At 1 January 2019	11,341	3,476	112,191	-	127,008
Charge for the year (Note 7)	869	278	16,071	-	17,218
Written off	-	-	(8)	-	(8)
At 31 December 2019	12,210	3,754	128,254	-	144,218
Net carrying amount	19,744	824	34,896	39,217	94,681

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

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 RM337,711,000 (2019: RM311,860,000) and RM112,740,000 (2019: RM87,602,000), respectively.

The addition in property, plant and equipment were acquired by way of:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash	30,990	64,048	3,196	31,178
Payables	8,001	-	3,740	-
Total additions	38,991	64,048	6,936	31,178

13. RIGHT-OF-USE ASSETS

	Land use rights RM'000	Airport equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group					
At 31 December 2020					
Cost					
At 1 January 2020	9,196	142,971	365	22,822	175,354
Additions	-	3,144	140	2,864	6,148
Remeasurement	-	(15,897)	-	(471)	(16,368)
Written off	(95)	-	-	-	(95)
Foreign currency translation	-	3,703	-	-	3,703
At 31 December 2020	9,101	133,921	505	25,215	168,742
Accumulated depreciation					
At 1 January 2020	2,379	26,105	85	9,543	38,112
Depreciation during the year (Note 7)	72	26,795	134	10,042	37,043
Remeasurement	-	-	-	101	101
Written off	(23)	-	-	-	(23)
Foreign currency translation	-	(365)	-	-	(365)
At 31 December 2020	2,428	52,535	219	19,686	74,868
Net carrying amount	6,673	81,386	286	5,529	93,874

13. RIGHT-OF-USE ASSETS (CONT'D.)

	Land use rights RM'000	Airport equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group (cont'd.)					
At 31 December 2019					
Cost					
At 1 January 2019	9,196	142,971	365	15,710	168,242
Additions	-	-	-	7,112	7,112
At 31 December 2019	9,196	142,971	365	22,822	175,354
Accumulated depreciation					
At 1 January 2019	2,270	-	-	-	2,270
Depreciation during the year (Note 7)	109	26,170	85	9,543	35,907
Foreign currency translation	-	(65)	-	-	(65)
At 31 December 2019	2,379	26,105	85	9,543	38,112
Net carrying amount	6,817	116,866	280	13,279	137,242

	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Company			
At 31 December 2020			
Cost			
At 1 January 2020	116	1,023	1,139
Additions	-	386	386
At 31 December 2020	116	1,409	1,525
Accumulated depreciation			
At 1 January 2020	26	532	558
Depreciation during the year (Note 7)	26	550	576
At 31 December 2020	52	1,082	1,134
Net carrying amount	64	327	391

NOTES TO THE FINANCIAL STATEMENTS
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13. RIGHT-OF-USE ASSETS (CONT'D.)

	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Company (cont'd.)			
At 31 December 2019			
Cost			
At 1 January 2019	116	719	835
Additions	-	304	304
At 31 December 2019	116	1,023	1,139
Accumulated depreciation			
At 1 January 2019	-	-	-
Depreciation during the year (Note 7)	26	532	558
At 31 December 2019	26	532	558
Net carrying amount	90	491	581

NOTES TO THE FINANCIAL STATEMENTS
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14. INTANGIBLE ASSETS

	Concession rights RM'000	Terminal building, plant and infrastructures RM'000	Capital work-in-progress RM'000	Computer and peripheral software RM'000	Total RM'000
Group					
At 31 December 2020					
Cost					
At 1 January 2020	10,944,886	11,414,887	591,537	-	22,951,310
Additions	-	42,084	210,551	4,502	257,137
Written off	-	(19,289)	-	-	(19,289)
Transfers	-	270,133	(270,133)	-	-
Reclassified from property, plant and equipment	-	-	-	7,692	7,692
Disposal	-	(195)	-	-	(195)
Foreign currency translation	672,972	181,893	(315)	-	854,550
At 31 December 2020	11,617,858	11,889,513	531,640	12,194	24,051,205
Accumulated amortisation					
At 1 January 2020	2,922,284	3,966,420	-	-	6,888,704
Charge for the year (Note 7)	215,140	300,727	-	3,025	518,892
Written off	-	(18,984)	-	-	(18,984)
Impairment loss (Note 7)	500,380	-	-	-	500,380
Disposal	-	(195)	-	-	(195)
Foreign currency translation	184,105	84,199	-	-	268,304
At 31 December 2020	3,821,909	4,332,167	-	3,025	8,157,101
Net carrying amount	7,795,949	7,557,346	531,640	9,169	15,894,104

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

14. INTANGIBLE ASSETS (CONT'D.)

	Concession rights RM'000	Terminal building, plant and infrastructures RM'000	Capital work-in-progress RM'000	Computer and peripheral software RM'000	Total RM'000
Group					
At 31 December 2019					
Cost					
At 1 January 2019	11,157,366	11,181,739	509,358	-	22,848,463
Additions	-	25,629	400,209	-	425,838
Written off	-	(6,001)	-	-	(6,001)
Transfers	-	283,689	(318,020)	-	(34,331)
Foreign currency translation	(212,480)	(70,169)	(10)	-	(282,659)
At 31 December 2019	10,944,886	11,414,887	591,537	-	22,951,310
Accumulated amortisation					
At 1 January 2019	2,510,849	3,572,620	-	-	6,083,469
Charge for the year (Note 7)	415,971	429,099	-	-	845,070
Written off	-	(5,988)	-	-	(5,988)
Foreign currency translation	(4,536)	(29,311)	-	-	(33,847)
At 31 December 2019	2,922,284	3,966,420	-	-	6,888,704
Net carrying amount	8,022,602	7,448,467	591,537	-	16,062,606

	Computer and peripheral software RM'000
Company	
At 31 December 2020	
Cost	
At 1 January 2020	-
Additions	4,502
Reclassified from property, plant and equipment	7,692
At 31 December 2020	12,194

14. INTANGIBLE ASSETS (CONT'D.)

	Computer and peripheral software RM'000
Company (cont'd.)	
At 31 December 2020 (cont'd.)	
Accumulated amortisation	
At 1 January 2020	-
Charge for the year (Note 7)	3,025
At 31 December 2020	3,025
Net carrying amount	9,169
At 31 December 2019	
Net carrying amount	-

The addition in intangible assets were acquired by way of:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash	158,757	425,838	2,307	-
Payables	98,380	-	2,195	-
Total additions	257,137	425,838	4,502	-

Included in the cost of intangible assets of the Group is cost of fully depreciated intangible assets which are still in use amounting to RM1,355,775,000 (2019: RM873,423,000).

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.

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14. INTANGIBLE ASSETS (CONT'D.)

Impairment test

(i) In the current financial year, the Group recognised impairment loss on ISG concession rights amounting to EUR102,300,000 an amount equivalent to RM500,380,000 due to the adverse contraction of passenger traffic impacted by the COVID-19 pandemic.

Key assumptions used in Value In Use calculation (VIU) are as follows:

The recoverable amounts of the concession rights of ISG have been determined based on Value-In-Use (VIU) calculation using cashflow projection covering a 12-year period until the end of the concession period 27 August 2032.

(a) Traffic projection

Traffic projection is based on external market study by an independent consultant and internal assessment taking into consideration impact of COVID-19 pandemic.

(b) Revenue growth

Management has taken into consideration the traffic projection, passenger service fees and other non-aeronautical revenue in determining the revenue growth of ISGIA.

(c) Forecast margin

Operation margins are based on management's expectation and past experience of the airport terminal operational cost structure.

(d) Discount rate

The discount rate used reflects the specific risk relating to the airport industry. The post-tax discounted rate used by the Group is 10.20% (2019: 9.20%).

(ii) No impairment loss is recognised during the year for concession rights in Malaysia's operation based on the cash flow forecasts. Furthermore, as disclosed in Note 1.2, the long term operating period up to 2069 will allow adequate time to ensure the viability of the business as well as cushion the impact on COVID-19.

15. INVESTMENTS IN SUBSIDIARIES

	Company 2020 RM'000	Company 2019 RM'000
Unquoted shares at cost	2,274,899	2,274,899

Name of company	Country of incorporation	Issued and paid-up capital RM	Proportion of ownership interest held 2020 %	Proportion of ownership interest held 2019 %	Principal activities
Malaysia Airports Sdn. Bhd. 199101020335 (230646-U)	Malaysia	360,113,847	100	100	Management, operations, maintenance and provision of airport related services of Designated Airports in Malaysia other than KLIA and klia2.
Malaysia Airports (Sepang) Sdn. Bhd. 199401034797 (320480-D)	Malaysia	300,000,002	100	100	Management, operations, maintenance and provision of airport related services in KLIA and klia2.
Malaysia Airports (Niaga) Sdn. Bhd. 199301026572 (281310-V)	Malaysia	5,000,002	100	100	Operating duty free, non-duty free outlets and providing management services in respect of food and beverage outlets at airports.
Malaysia Airports Consultancy Services Sdn. Bhd. (MACS) 199601002899 (375245-X)	Malaysia	500,002	100	100	Provision of maintenance and technical services in connection with the airport industry.
Malaysia Airports (Properties) Sdn. Bhd. (MAP) 199901009756 (484656-H)	Malaysia	2	100	100	Provision of non-paasenger related services which involves property management and establishing fixed asset requirements.
MAB Agriculture-Horticulture Sdn. Bhd. 199801011774 (467902-D)	Malaysia	10,000,000	100	100	Cultivation and selling of oil palm and other agricultural products, and engaging in horticultural activities.

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15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Name of company	Country of incorporation	Issued and paid-up capital RM	Proportion of ownership interest held 2020 %	2019 %	Principal activities
K.L. Airport Hotel Sdn. Bhd. 199501001669 (330863-D)	Malaysia				Owner of the hotel known as Sama-Sama Hotel, Sama-Sama Express KL International Airport and Sama-Sama Express klia2.
- ordinary shares		10,000,000	100	100	
- preference shares		900,000	100	100	
Malaysia Airports Technologies Sdn. Bhd. 200001009656 (512262-H)	Malaysia	1,150,002	100	100	Operations and maintenance services and Information and Communication Technology business ventures.
MAHB (Mauritius) Pte. Ltd. @	Mauritius	USD2	100	100	Investment holding.
Eraman (Malaysia) Sdn. Bhd. 199401038644 (324329-K)	Malaysia	2	100	100	Dormant. Intended principle activity is general trading.
Malaysia International Aerospace Centre Sdn. Bhd. 199701022747 (438244-H)	Malaysia	2	100	100	Planning, management and marketing for the development of Malaysia International Aerospace Centre at Sultan Abdul Aziz Shah Airport and other airports in Malaysia.
Airport Ventures Sdn. Bhd. 200001009921 (512527-U)	Malaysia	2	100	100	Investment holding.
Malaysia Airports MSC Sdn. Bhd. (MAMSC) 200001014248 (516854-V)	Malaysia	500,000	100	100	Investment holding.
Malaysia Airports (Labuan) Pte. Ltd. (LL05298)	Malaysia	USD1,000	100	100	Investment holding.

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15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Name of company	Country of incorporation	Issued and paid-up capital RM	Proportion of ownership interest held 2020 %	2019 %	Principal activities
Urusan Teknologi Wawasan Sdn. Bhd. 199801003752 (459878-D)	Malaysia	750,000	100	100	Provision of mechanical, electrical and civil engineering services.
Malaysia Airports Capital Berhad 201001022823 (906593-U)	Malaysia	2	100	100	Investment holding.
Malaysia Airports Consultancy Services Middle East LLC @ ^ (62645)	Qatar	QAR200,000	49	49	Facilities maintenance services at airports.
Malaysia Airports Cities Sdn. Bhd. (MA Cities) 201401037916 (1114062-X)	Malaysia	3,000	100	100	Investment holding.
Istanbul Sabiha Gokcen Uluslararasi Havalimani Yatirim Yapim ve Isletme A.S. *@@**(ISG)	Turkey	€178,741,000	100	100	Operation, management and development and provision of airport related services.
SGC Havalimani Isletmeleri Ticaret ve Turizm A.S. *@@ (SGC) (formerly known as LGM Havalimani Isletmeleri Ticaret ve Turizm A.S. (LGM))	Turkey	€ 22,629,619	100	100	Provision of management services in respect of transportation, parking, food and beverages, cleaning at the airport and construction of hotel and car park within the airport.
KLIA Aeropolis Sdn. Bhd. (KASB) 201601041450 (1212392-H)	Malaysia	101	100	100	Investment holding.
Malaysia Airports International Sdn. Bhd. 201701006660 (1220825-V)	Malaysia	2	100	100	Investment holding.

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15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Name of company	Country of incorporation	Issued and paid-up capital RM	Proportion of ownership interest held 2020 %	2019 %	Principal activities
MA Elogistics Sdn. Bhd. (MA Elogistics) 201701039513 (1253685-H)	Malaysia	62,000,100	100	100	Investment holding.
Malaysia Airports (Subang) Sdn. Bhd. 201801044711 (1306743-T)	Malaysia	100	100	100	Undertake all business relating to Subang Airport Regeneration.

@ Audited by a member firm of Ernst & Young Global.
@@ Audited by PWC Turkey
* Effective interest held in each subsidiary through:

	2020 %	2019 %
Company	20	20
MAMSC	40	40
MA Cities	40	40
	100	100

** Investment in ISG with carrying amount of RM706,384,000 (2019: RM656,337,000) is pledged to financial institutions for credit facilities granted to the subsidiary as disclosed in Note 29.

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

16. INVESTMENTS IN ASSOCIATES

		Group 2020 RM'000	Group 2019 RM'000
Unquoted shares at cost:			
- in Malaysia	(a)	88,640	88,640
Share of post-acquisition reserve	(b)	22,349	38,337
		110,989	126,977
Analysed as:			
(a) Unquoted shares at cost:			
At 1 January		88,640	88,640
Additional investment		-	-*
At 31 December		88,640	88,640
(b) Share of post-acquisition reserve:			
At 1 January		38,337	25,143
Share of results		(15,988)	15,294
Distribution of profits		-	(2,100)
At 31 December		22,349	38,337

* Amount below RM1,000

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16. INVESTMENTS IN ASSOCIATES (CONT'D.)

Details of the associates are as follows:

Name of associate	Country of incorporation	Issued and paid-up capital RM	Proportion of ownership interest held 2020 %	2019 %	Financial year end	Principal activities
Held through a subsidiary:						
Kuala Lumpur Aviation Fuelling System Sdn. Bhd. (KAF) ^	Malaysia	3,000,000	20	20	31 December	Development, management and operation of aviation fuelling system at KLIA.
MFMA Development Sdn. Bhd. (MFMA) ^	Malaysia	86,800,000	30	30	31 December	Development, operation and maintenance of a Factory Outlet Centre and its complementary components known as Mitsui Outlet Park KLIA.
Cainiao KLIA Aeropolis Sdn. Bhd. ^^	Malaysia	206,667,000	30	30	31 December	Development of a regional e-Commerce and logistics hub.
BP Malaysia Airports Subang Aerotech Sdn. Bhd. **^ (BP MASA)	Malaysia	10	30	30	31 March	Undertake the development of an aerospace and high tech park within Subang Aerotech Park in Subang.
Cooling Energy Supply Sdn. Bhd. ***^^	Malaysia	10	30	-	31 December	Operate a district cooling plant and supply energy at KLIA.

** On 22 March 2019, MA Subang Sdn. Bhd., a subsidiary of the Group has entered into a Shareholders' Agreement with BP Aerotech (Subang) Sdn. Bhd. (BP Aerotech), to participate in an associate company under the name of BP Malaysia Airports Subang Aerotech Sdn. Bhd.

*** On 23 December 2020, Airport Ventures Sdn. Bhd. (AVSB), a subsidiary of Malaysia Airports Holdings Berhad (MAHB), had entered into a Shareholders' Agreement with TNB Engineering Corporation Sdn. Bhd. (TNEC), to participate in a joint venture company under the name of Cooling Energy Supply Sdn. Bhd. (CES).

TNEC has been commissioned to operate a district cooling plant at Kuala Lumpur International Airport and supply energy in the form of chilled water and electricity to KUL's Main Terminal and its associated facilities under CES. Pursuant to the Shareholders' Agreement, AVSB holds 30% equity while TNEC holds the remaining 70% equity in CES.

^ Audited by KPMG KL

^^ Audited by PWC KL

16. INVESTMENTS IN ASSOCIATES (CONT'D.)

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

	Group									
	2020					2019				
	KAF RM'000	MFMA RM'000	Cainiao KLIA Aeropolis RM'000	BP MASA RM'000	Total RM'000	KAF RM'000	MFMA RM'000	Cainiao KLIA Aeropolis RM'000	BP MASA RM'000	Total RM'000
Assets and liabilities										
Current assets	14,663	50,793	9,854	839	76,149	36,858	66,992	13,228	-	117,078
Non-current assets	197,639	263,965	352,374	163	814,141	199,492	304,577	270,398	-	774,467
Current liabilities	(26,067)	(43,787)	(14,625)	(2,241)	(86,720)	(29,711)	(182,852)	(81,167)	(631)	(294,361)
Non-current liabilities	(94,940)	(156,231)	(152,000)	-	(403,171)	(104,917)	(52,913)	-	-	(157,830)
Equity	91,295	114,740	195,603	(1,239)	400,399	101,722	135,804	202,459	(631)	439,354
Results										
Revenue	23,476	60,054	1,710	-	85,240	66,350	76,868	-	-	143,218
Cost of sales	(19,568)	(19,885)	(998)	-	(40,451)	(19,550)	(25,552)	-	-	(45,102)
Other income	1,015	699	188	-	1,902	(4,908)	991	1,898	-	(2,019)
Administrative expenses	(34,739)	(55,877)	(6,973)	(606)	(98,195)	(12,370)	(2,418)	(4,519)	(631)	(19,938)
Finance costs	(7,037)	(2,561)	(679)	-	(10,277)	(1,883)	(2,996)	-	-	(4,879)
(Loss)/profit before tax for the year	(36,853)	(17,570)	(6,752)	(606)	(61,781)	27,639	46,893	(2,621)	(631)	71,280
Income tax	733	(3,494)	(791)	-	(3,552)	(3,384)	(8,375)	(458)	-	(12,217)
(Loss)/profit for the year	(36,120)	(21,064)	(7,543)	(606)	(65,333)	24,255	38,518	(3,079)	(631)	59,063
Group's share of (loss)/profit for the year	(7,224)	(6,319)	(2,263)	(182)	(15,988)	4,851	11,555	(923)	(189)	15,294
Cost of investment of the Group	600	26,040	62,000	-	88,640	600	26,040	62,000	-	88,640

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16. INVESTMENTS IN ASSOCIATES (CONT'D.)

(b) Reconciliation of the summarised financial information to the carrying amount of the interest in the material associates recognised in the consolidated financial statements:

	Group									
	2020					2019				
	KAF RM'000	MFMA RM'000	Cainiao KLIA Aeropolis RM'000	BP MASA RM'000	Total RM'000	KAF RM'000	MFMA RM'000	Cainiao KLIA Aeropolis RM'000	BP MASA RM'000	Total RM'000
Proportion of net assets at date of recognition	20%	30%	30%	30%	-	20%	30%	30%	30%	-
Carrying amount at beginning of the financial year	25,481	40,741	60,944	(189)	126,977	22,730	29,186	61,867	-	113,783
Share of net results for the financial year	(7,224)	(6,319)	(2,263)	(182)	(15,988)	4,851	11,555	(923)	(189)	15,294
Distribution of profits	-	-	-	-	-	(2,100)	-	-	-	(2,100)
Carrying amount at the end of the financial year	18,257	34,422	58,681	(371)	110,989	25,481	40,741	60,944	(189)	126,977

17. INVESTMENTS IN JOINT VENTURES

		Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unquoted shares at cost:					
- in Malaysia	(a)	53,718	53,718	53,718	53,718
Share of post-acquisition reserve:	(b)	50,449	50,492	-	-
		104,167	104,210	53,718	53,718
Analysed as:					
(a) Unquoted shares at cost:					
At 1 January/31 December		53,718	53,718	53,718	53,718
(b) Share of post-acquisition reserve:					
At 1 January		50,492	43,100	-	-
Share of results		4,412	19,424	-	-
Distribution of profits		(4,455)	(12,032)	-	-
At 31 December		50,449	50,492	-	-

Details of the joint ventures are as follows:

Name of entity	Country of incorporation	Issued and paid-up capital RM	Effective interest held 2020 %	Effective interest held 2019 %	Financial year end	Principal activities
Held by the Company:						
Segi Astana Sdn. Bhd. (SASB)*	Malaysia	106,060,000	30	30	31 December	Development, management and operations of property.
Airport Cooling Energy Supply Sdn. Bhd. (ACES)**^	Malaysia				31 December	Development, management and operations of chilled water plant.
- ordinary shares		19,040,000	23	23		
- redeemable preference shares		761,600	23	23		

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17. INVESTMENTS IN JOINT VENTURES (CONT'D.)

Details of the joint ventures are as follows: (cont'd.)

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

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

^ Audited by PWC KL

Both SASB and ACES are deemed to be joint ventures of the Group as the parties involved have the ability to jointly control the key decisions affecting strategic decisions and operations of these companies pursuant to the shareholders agreements.

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

	Group					
	2020			2019		
	SASB RM'000	ACES RM'000	Total RM'000	SASB RM'000	ACES RM'000	Total RM'000
Assets and liabilities						
Current assets	96,046	72,267	168,313	130,914	67,787	198,701
Non-current assets	512,718	338,665	851,383	531,885	349,633	881,518
Current liabilities	(44,162)	(47,952)	(92,114)	(77,526)	(41,394)	(118,920)
Non-current liabilities	(412,059)	(109,044)	(521,103)	(414,989)	(147,825)	(562,814)
Equity	152,543	253,936	406,479	170,284	228,201	398,485
Results						
Revenue	82,508	61,616	144,124	134,018	73,676	207,694
Cost of sales	(22,948)	(16,287)	(39,235)	(33,921)	(22,526)	(56,447)
Other income	7,958	619	8,577	13,816	1,143	14,959
Administrative expenses	(50,740)	(6,632)	(57,372)	(40,148)	(183)	(40,331)
Finance costs	(19,794)	(5,903)	(25,697)	(21,815)	(7,782)	(29,597)
(Loss)/profit before tax for the year	(3,016)	33,413	30,397	51,950	44,328	96,278
Income tax	441	(10,869)	(10,428)	(13,395)	(10,167)	(23,562)
(Loss)/profit for the year	(2,575)	22,544	19,969	38,555	34,161	72,716
Group's share of (loss)/profit for the year	(773)	5,185	4,412	11,567	7,857	19,424
Cost of investment of the Group	31,818	21,900	53,718	31,818	21,900	53,718

NOTES TO THE FINANCIAL STATEMENTS
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17. INVESTMENTS IN JOINT VENTURES (CONT'D.)

(b) Reconciliation of the summarised financial information to the carrying amount of the interest in the material joint ventures recognised in the consolidated financial statements:

	Group					
	2020			2019		
	SASB RM'000	ACES RM'000	Total RM'000	SASB RM'000	ACES RM'000	Total RM'000
Proportion of net assets at date of recognition	30%	23%	-	30%	23%	-
Carrying amount at beginning of the financial year	50,992	53,218	104,210	46,902	49,916	96,818
Share of net results for the financial year	(773)	5,185	4,412	11,567	7,857	19,424
Distribution of profits	(4,455)	-	(4,455)	(7,477)	(4,555)	(12,032)
Carrying amount at the end of the financial year	45,764	58,403	104,167	50,992	53,218	104,210

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2020 RM'000	2019 RM'000
Current		
Quoted unit trust in Malaysia at fair value	720,558	1,755,820
Non-current		
Quoted bonds in Malaysia at fair value	8,368	8,228
Quoted unit trust in Malaysia at fair value	14,440	13,666
Unquoted shares at fair value outside Malaysia*	305,681	311,004
	328,489	332,898
Total	1,049,047	2,088,718

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

Unquoted shares of RM210,705,000 (2019: RM214,374,000) of the Group are pledged as security in respect of certain agreements entered into by the Group.

* On 2 February 2018, the Group has entered into a Share Purchase Agreement (SPA) with GMR Airports Limited (Purchaser or GMR Airports), for the disposal of all the 41,580,000 equity shares of INR10 each which represents 11% of the total issued and paid-up share capital GMR Hyderabad International Airport Limited (GHIAL) to GMR Airports, for a cash consideration of USD76,050,000, equivalent to RM314,806,000 subject to the terms and conditions contained in the SPA (Proposed Disposal).

On 2 January 2019, MAHB announced that the SPA in relation to the Proposed Disposal of its entire 11% equity interest in GHIAL has been automatically terminated due to failure of the Purchaser to complete their obligation in accordance with the terms of the SPA by 31 December 2018.

On 10 December 2019, GMR Infrastructure Limited, the holding company of GMR Airports, had expressed their interest in writing to acquire MAHB's entire equity interest in GHIAL. However, during the year, MAHB had ceased its intention to dispose due to changes in circumstances as a result of COVID-19 pandemic. The fair value of the investment is arrived via valuation performed by certified external valuers based on the market approach, specifically the guideline public company method (GPCM).

	Company	
	2020 RM'000	2019 RM'000
Current		
Quoted unit trust in Malaysia at fair value	361,751	383,651
Non-current		
Quoted bonds in Malaysia at fair value	8,368	8,228
Quoted unit trust in Malaysia at fair value	14,440	13,666
	22,808	21,894
Total	384,559	405,545

19. FAIR VALUE MEASUREMENT

The disclosure provides information on fair value measurements for both financial instruments and non-financial assets and liabilities and is structured as follows:

(a) Valuation principles;
(b) Valuation technique;
(c) Fair value measurements and classification within the fair value hierarchy; and
(d) Movements of Level 3 instruments.

(a) Valuation principles

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer liability in an orderly transaction between market participants in the principal or most advantageous market as of measurement date.

Disclosure of fair value measurements are by level of the following fair value measurement hierarchy:

Level 1
Quoted price (unadjusted) in active markets for identical assets or liabilities.

Level 2
Inputs other than quoted price included within Level 1 that are observable for asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3
Valuation techniques for which significant inputs are not based on observable market data.

(b) Valuation technique

The valuation technique used for the financial instruments not determined by reference to quoted prices (Level 1) are described below:

Quoted bond and quoted unit trust

The fair value of financial assets are determined by reference to prices quoted by independent data providers and independent brokers.

Unquoted equity shares

The fair value of financial asset is derived from market approach using available market multiples derived from guideline public companies method (GPCM).

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19. FAIR VALUE MEASUREMENT (CONT'D.)

(c) Fair value measurements and classification within the fair value hierarchy

		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RM'000	RM'000	RM'000	RM'000
Group				
As at 31 December 2020				
Financial assets at FVTPL (Note 18)				
Quoted bond	8,368	-	8,368	-
Quoted unit trust	734,998	-	734,998	-
Unquoted equity shares	305,681	-	-	305,681
	1,049,047	-	743,366	305,681

Note: The accounting policy for determining when transfers between levels of the fair value hierarchy occurred is disclosed in Notes 2.4(d). There were no transfers between Level 1, Level 2 and Level 3 for the Group and Company during the financial year ended 31 December 2020.

		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RM'000	RM'000	RM'000	RM'000
Group (cont'd.)				
As at 31 December 2019				
Financial assets at FVTPL (Note 18)				
Quoted bond	8,228	-	8,228	-
Quoted unit trust	1,769,486	-	1,769,486	-
Unquoted equity shares	311,004	-	-	311,004
	2,088,718	-	1,777,714	311,004

19. FAIR VALUE MEASUREMENT (CONT'D.)

(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)

Description of significant unobservable inputs to valuation:

Investments designated as fair value through profit or loss - unquoted equity shares

Valuation technique	Significant unobservable inputs	Sensitivity of input to fair value	Fair value 2020 RM'000	Fair value 2019 RM'000
Market comparable	(i)	(ii)	305,681	311,004

The Group holds an investment in equity shares of 11% of the total issued and paid-up share capital GMR Hyderabad International Airport Limited (GHIAL) with a fair value of USD76,050,000, equivalent to RM305,681,000 at 31 December 2020 (2019: RM311,004,000). The Equity Value of GHIAL was derived from market approach using available market multiples derived from guideline public companies method (GPCM). The fair value of this investment was categorized as Level 3.

(i) Discount rate at 10% (2019: 10%). Discount for lack of marketability represents the amounts that the Company has determined that market participants would take into account when pricing the instruments.

(ii) Equity price/valuation risk

Equity price/valuation risk is the risk that the fair value or future cash flows of the Group's equity instrument will fluctuate because of changes in the valuation. The Group is exposed to equity price/valuation risk primarily through its investment in the unquoted equity shares.

Sensitivity analysis for equity price/valuation risk

The following table demonstrates the sensitivity of the Company's profit or loss to a reasonable possible change in valuation, with all other variables held constant.

	Change in rate	Effect on Fair Value RM'000
2020		
Increase in 5% adjusted market multiple range	+5%	281
Decrease in 5% adjusted market multiple range	-5%	326
2019		
Increase in 5% adjusted market multiple range	+5%	286
Decrease in 5% adjusted market multiple range	-5%	331

NOTES TO THE FINANCIAL STATEMENTS
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19. FAIR VALUE MEASUREMENT (CONT'D.)

(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)

	Total RM'000	Fair value measurement using: Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
Company				
As at 31 December 2020				
Financial assets at FVTPL (Note 18)				
Quoted bond	8,368	-	8,368	-
Quoted unit trust	376,191	-	376,191	-
	384,559	-	384,559	-
As at 31 December 2019				
Financial assets at FVTPL (Note 18)				
Quoted bond	8,228	-	8,228	-
Quoted unit trust	397,317	-	397,317	-
	405,545	-	405,545	-

(d) Movements of Level 3 instruments

The following table presents additional information about Level 3 financial assets and financial liabilities measured at fair value:

Group	Note	2020 RM'000	2019 RM'000
At 1 January		311,004	314,806
Unrealised loss recognised in income statements	4	(5,323)	(3,802)
At 31 December		305,681	311,004

20. TRADE AND OTHER RECEIVABLES

	Group	
	2020	2019
	RM'000	RM'000
Current		
Trade receivables		
Third parties	529,222	688,824
Due from GoM	71,046	49,344
Accrued revenue	24,918	83,871
Contract asset	12,812	14,457
	637,998	836,496
Less:		
Accumulated allowances of impairment on receivables	(243,009)	(161,687)
Trade receivables, net	394,989	674,809
Other receivables		
Due from GoM	22,250	150,150
Employee loans (Note 21)	2,824	3,129
Deposits	9,189	15,123
Prepayments	24,846	32,676
Sundry receivables	96,275	113,985
	155,384	315,063
Less:		
Accumulated allowances of impairment on receivables	(16,559)	(16,219)
Other receivables, net	138,825	298,844
Total current	533,814	973,653
Non-current		
Trade receivables		
Third parties	-	10

NOTES TO THE FINANCIAL STATEMENTS
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20. TRADE AND OTHER RECEIVABLES (CONT'D.)

	Group	
	2020	2019
	RM'000	RM'000
Non-current (cont'd.)		
Other receivables		
Due from GoM	308,228	315,651
Sundry receivables	96,420	49,927
	404,648	365,578
Total non-current	404,648	365,588
Total trade and other receivables (current and non-current)	938,462	1,339,241
Add: Cash and cash equivalents (Note 25)	973,657	1,453,136
Less: Prepayments	(24,846)	(32,676)
Total financial assets at amortised cost	1,887,273	2,759,701

	Company	
	2020	2019
	RM'000	RM'000
Current		
Other receivables		
Due from GoM	-	49,204
Amounts due from subsidiaries	2,322,342	2,331,367
Deposits	40	39
Prepayments	2,864	2,091
Sundry receivables	5,668	8,872
	2,330,914	2,391,573
Less:		
Accumulated allowances of impairment on receivables	(3,360)	(1,007)
Other receivables, net	2,327,554	2,390,566
Non-current		
Other receivables		
Amounts due from a subsidiary	3,996,693	4,406,462
Total trade and other receivables (current and non-current)	6,324,247	6,797,028
Add: Cash and cash equivalents (Note 25)	50,693	37,860
Less: Prepayments	(2,864)	(2,091)
Total financial assets at amortised cost	6,372,076	6,832,797

20. TRADE AND OTHER RECEIVABLES (CONT'D.)

Ageing analysis of trade receivables

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

	Group	
	2020	2019
	RM'000	RM'000
Current	164,173	426,017
1 to 30 days	54,137	39,626
31 to 60 days	49,186	29,835
61 to 90 days	9,613	24,906
91 to 120 days	29,019	3,610
More than 121 days	51,131	52,497
	193,086	150,474
Impaired	243,009	161,687
	600,268	738,178

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 65% (2019: 60%) 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

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various customer segments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Group considers a financial asset in default when contractual payment are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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20. TRADE AND OTHER RECEIVABLES (CONT'D.)

Receivables that are impaired (cont'd.)

The impact of COVID-19 on the recoverability of receivables from tenants and airlines have been considered. While the methodologies and assumptions applied in the base ECL calculations remained unchanged from those applied in the prior year financial year, the Company has introduced a number of support measures for customers impacted by COVID-19 pandemic, which include temporary extension of credit term and rental rebates for eligible tenants and airlines. Accordingly, the ECL was adjusted to reflect the impact of the credit period extension and rebates which was off set against trade receivables balances before ECL assessment.

Movement of impairment for trade and other receivables:

	Group	
	2020 RM'000	2019 RM'000
Trade receivables		
At 1 January	161,687	180,134
Net allowance/(writeback) of impairment on receivables (Note 7)	79,905	(18,281)
Foreign currency translation	1,417	(166)
At 31 December	243,009	161,687
Other receivables		
At 1 January	16,219	16,906
Net allowance/(writeback) of impairment on receivables (Note 7)	340	(687)
At 31 December	16,559	16,219

	Company	
	2020 RM'000	2019 RM'000
Other receivables		
At 1 January	1,007	1,041
Net allowance/(writeback) of impairment on receivables (Note 7)	2,353	(34)
At 31 December	3,360	1,007

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.

20. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to monitor the Group's credit risk.

During the year ended 31 December 2020, the Group temporarily extended the credit terms to specific customers with liquidity constraints arising as a direct result of the COVID-19 pandemic. All extensions were granted within current sales limits after careful consideration of the impact of the COVID-19 pandemic on the creditworthiness of the customer and each customer that was granted an extension is closely monitored for credit deterioration.

Overdue balances are reviewed regularly by senior management and bears interest at 1% (2019: 1%) per month on overdue balances. In response to the COVID-19 pandemic, the credit control department has also been performing more frequent reviews of receivables for customers in regions and industries that are severely impacted. As at reporting date, the concentration of credit risk in the form of outstanding balances is mainly due to six (2019: six) customers representing approximately 65% (2019: 56%) of the total trade receivables.

(b) Amounts due from subsidiaries

(i) Current

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

(ii) Non-current

Amount due from a subsidiary is unsecured and bear interest at 4.65% (2019: 4.83%) per annum.

(c) Sundry receivables (Non-current)

Included in sundry receivables is Value Added Tax (VAT) receivable of RM89,126,000 (2019: RM41,996,000) classified as long-term receivables. These amounts arose from the Utilisation Fee liability to the Administration, and will not be refunded in cash or allowed to offset against other tax liabilities. ISG will be offsetting these long-term receivables when it generates such a level of revenue that the VAT payable arising would exceed VAT paid for other operational and investing activities.

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20. TRADE AND OTHER RECEIVABLES (CONT'D.)

(d) Due from GoM

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current				
Trade receivable				
MARCS (Note 2.4 (z)(iv))	71,046	49,344	-	-
Other receivables				
Debts assumed from a former subsidiary	-	121,200	-	49,204
Expansion and development	22,250	28,950	-	-
	22,250	150,150	-	49,204
Non-current				
Other receivables				
Racing circuit	288,594	275,842	-	-
Expansion and development	19,634	39,809	-	-
	308,228	315,651	-	-
Total amount due from GoM	401,524	515,145	-	49,204

Other information on financial risks of trade and other receivables are disclosed in Note 38.

NOTES TO THE FINANCIAL STATEMENTS
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21. EMPLOYEE LOANS

	Group	
	2020	2019
	RM'000	RM'000
Employee loans	24,311	27,888
Less: Current portion (Note 20)	(2,824)	(3,129)
Non-current portion	21,487	24,759
Analysed as:		
Current	2,824	3,129
Non-current:		
Later than 1 year but not later than 2 years	2,609	2,800
Later than 2 years but not later than 5 years	6,820	7,415
Later than 5 years	12,058	14,544
	21,487	24,759
	24,311	27,888

The employee loans attract interest rate at 4% (2019: 4%) per annum.

22. DEFERRED TAX (ASSETS)/LIABILITIES

	Group	
	2020	2019
	RM'000	RM'000
At 1 January	728,810	728,730
Recognised in the statements of profit or loss (Note 9)	(529,668)	14,409
Recognised in equity	919	2,703
Foreign currency translation	37,398	(17,032)
At 31 December	237,459	728,810
Presented in the statements of financial position as follows:		
Deferred tax assets	(465,033)	(172,373)
Deferred tax liabilities	702,492	901,183
	237,459	728,810

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

22. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D.)

	Company	
	2020 RM'000	2019 RM'000
At 1 January	-	-
Recognised in the statements of profit or loss (Note 9)	-	-
At 31 December	-	-
Presented in the statements of financial position as follows:		
Deferred tax assets	(8,590)	(10,193)
Deferred tax liabilities	8,590	10,193
	-	-

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 2020	1,772,910	224	1,773,134
Recognised in the statements of profit or loss	(105,295)	2,204	(103,091)
Foreign currency translation	97,687	379	98,066
At 31 December 2020	1,765,302	2,807	1,768,109
Less: Offset against deferred tax assets			(1,065,617)
			702,492
At 1 January 2019	1,851,105	12,779	1,863,884
Recognised in the statements of profit or loss	(35,700)	(12,247)	(47,947)
Foreign currency translation	(42,495)	(308)	(42,803)
At 31 December 2019	1,772,910	224	1,773,134
Less: Offset against deferred tax assets			(871,951)
			901,183

22. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D.)

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 2020	(143,956)	(10,013)	(58,040)	(82,478)	(309)	(749,528)	(1,044,324)
Recognised in the statements of profit or loss	(203,279)	-	(223,580)	16,901	100	(16,719)	(426,577)
Recognised in equity	-	919	-	-	-	-	919
Foreign currency translation	-	(738)	(4,457)	879	(24)	(56,328)	(60,668)
At 31 December 2020	(347,235)	(9,832)	(286,077)	(64,698)	(233)	(822,575)	(1,530,650)
Less: Offset against deferred tax liabilities							1,065,617
							(465,033)
At 1 January 2019	(176,677)	(11,419)	(72,469)	(62,528)	(141)	(811,920)	(1,135,154)
Recognised in the statements of profit or loss	32,721	(1,624)	12,596	(19,950)	(209)	38,822	62,356
Recognised in equity	-	2,703	-	-	-	-	2,703
Foreign currency translation	-	327	1,833	-	41	23,570	25,771
At 31 December 2019	(143,956)	(10,013)	(58,040)	(82,478)	(309)	(749,528)	(1,044,324)
Less: Offset against deferred tax liabilities							871,951
							(172,373)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

22. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D.)

Deferred tax liability of the Company:

	Property, plant and equipment RM'000
At 1 January 2020	10,193
Recognised in the statements of profit or loss	(1,603)
At 31 December 2020	8,590
At 1 January 2019	10,942
Recognised in the statements of profit or loss	(749)
At 31 December 2019	10,193

Deferred tax assets of the Company:

	Receivables RM'000	Payables RM'000	Unutilised tax losses and capital allowances RM'000	Total RM'000
At 1 January 2020	(72)	(10,440)	319	(10,193)
Recognised in the statements of profit or loss	(508)	9,715	(7,604)	1,603
At 31 December 2020	(580)	(725)	(7,285)	(8,590)
At 1 January 2019	(250)	(6,580)	(4,112)	(10,942)
Recognised in the statements of profit or loss	178	(3,860)	4,431	749
At 31 December 2019	(72)	(10,440)	319	(10,193)

The unutilised tax losses and unabsorbed capital allowance are available for offsetting against future taxable profits for a maximum period of seven years of assessment of the Company under the Income Tax Act, 1967 and guidelines issued by the tax authority.

23. INVENTORIES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cost				
Spares and consumables	50,038	39,505	13	13
Merchandise goods	112,943	128,879	-	-
Food and beverages	691	1,425	-	-
	163,672	169,809	13	13

The cost of inventories relating to merchandise goods and food and beverages recognised as an expense during the current financial year amounted to RM90,917,000 (2019: RM435,628,000).

24. BIOLOGICAL ASSETS

	Group	
	2020 RM'000	2019 RM'000
Fair value less cost to sell of biological assets	3,257	2,365

The fair value of biological assets was based on the estimated quantity of FFBs forecasted and the observable current market price of FFBs at each point of fair value.

25. CASH AND CASH EQUIVALENTS

	Group	
	2020 RM'000	2019 RM'000
Cash on hand and at banks	360,456	286,561
Deposits with licensed banks	613,201	1,166,575
Cash and bank balances	973,657	1,453,136

NOTES TO THE FINANCIAL STATEMENTS
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25. CASH AND CASH EQUIVALENTS (CONT'D.)

	Company	
	2020	2019
	RM'000	RM'000
Cash on hand and at banks	36,739	24,251
Deposits with licensed banks	13,954	13,609
Cash and bank balances	50,693	37,860

Other information on financial risks of cash and cash equivalents are disclosed in Note 38.

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

	Group	
	2020	2019
	RM'000	RM'000
Cash and bank balances	973,657	1,453,136

26. SHARE CAPITAL

	Number of shares	
	2020	2019
Issued and fully paid:		
Special Rights Redeemable Preference Share	1	1
Ordinary shares	1,659,191,828	1,659,191,828
	1,659,191,829	1,659,191,829

	Group/Company	
	2020	2019
	RM'000	RM'000
Issued and fully paid:		
Ordinary shares		
At 1 January/31 December	5,114,341	5,114,341

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.

26. SHARE CAPITAL (CONT'D.)

Special Rights Redeemable Preference Share

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

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

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

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

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

27. RETAINED EARNINGS

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

28. 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.

NOTES TO THE FINANCIAL STATEMENTS
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28. OTHER RESERVES AND FOREIGN EXCHANGE RESERVE (CONT'D.)

(b) Other reserves

	Note	Group 2020 RM'000	Group 2019 RM'000
Reserve arising from acquisition of non-controlling interest			
As at 1 January/31 December	(i)	2,546	2,546
Legal reserve			
As at 1 January		4,127	4,251
Foreign currency translation		305	(124)
As at 31 December	(ii)	4,432	4,127
Actuarial loss on retirement benefit			
As at 1 January		(5,915)	(2,812)
Actuarial gain/(loss) during the year	(iii)	3,035	(3,103)
As at 31 December		(2,880)	(5,915)
		4,098	758

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

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

(ii) Legal reserve

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

(2) According to Turkish Commercial Code (TCC), legal reserve comprise first and second legal reserves. The first legal reserve is generated by annual appropriations amounting to 5% of income disclosed in the SGC's (formerly known as LGM) statutory accounts until it reaches 20% of paid-in share capital. If the dividend distribution is made in accordance with Dividend Distribution Communique II-19.1, a further 1/10 of dividend distributions, in excess of 5% of paid-in capital is to be appropriated to increase second legal reserve. If the dividend distribution is made in accordance with statutory records, a further 1/11 of dividend distributions, in excess of 5% of paid-in capital is to be appropriated to increase second legal reserve. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital. As at 31 December 2020, total legal reserves in SGC (formerly known as LGM) amounts to EUR874,000 equivalent to RM4,318,000 (2019: EUR874,000, equivalent to RM4,012,000).

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

(b) Other reserves (cont'd.)

(iii) Actuarial loss on retirement benefits

Under the Turkish Labor Law, ISG is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, or who retires or resigns. The indemnity is one month's salary for each working year and is limited to TL7,117, equivalent to EUR743 or RM3,670 (2019: TL6,380, equivalent to EUR1,008 or RM4,627).

ISG made calculation for the retirement pay liability by applying the prescribed liability method, by the experiences and by considering the personnel who become eligible for pension. This provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel. The provision has been calculated by estimating the present value of the future probable obligation of ISG arising from the retirement of employees. Accordingly, the following actuarial assumptions have been used in the calculation of the total liability:

	2020	2019
Discount ratio	4.00%	4.00%
Retention rate to estimate to probability of retirement	98.00%	98.00%

Movements of the provision for retirement pay liability:

	2020 RM'000	2019 RM'000
Group		
As at 1 January	8,827	4,808
Service cost	1,693	751
Interest cost	1,193	578
Actuarial (gain)/loss	(3,035)	3,103
Payment	(466)	(413)
As at 31 December	8,212	8,827

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29. BORROWINGS

	Maturity	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Current					
Unsecured:					
4.55% p.a. fixed rate RM IMTN	2020	-	1,000,000	-	1,000,000
Secured:					
Euribor + 2.5% p.a. Senior Term Facility	2020	-	247,012	-	-
Euribor + 3.0% p.a. Senior Term Facility	2021	94,298	-	-	-
		94,298	1,247,012	-	1,000,000
Non-current					
Unsecured:					
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
3.30% p.a. fixed rate RM Senior Sukuk	2027	480,000	-	480,000	-
3.60% p.a. fixed rate RM Senior Sukuk	2030	220,000	-	220,000	-
Secured:					
Euribor + 2.5% p.a. Senior Term Facility	2021 - 2023	-	1,585,721	-	-
Euribor + 3.0% p.a. Senior Term Facility	2022 - 2025	1,750,430	-	-	-
		4,550,430	3,685,721	2,800,000	2,100,000

29. BORROWINGS (CONT'D.)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Total borrowings				
4.55% p.a. fixed rate RM IMTN	-	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
3.30% p.a. fixed rate RM Senior Sukuk	480,000	-	480,000	-
3.60% p.a. fixed rate RM Senior Sukuk	220,000	-	220,000	-
Euribor + 2.5% p.a. Senior Term Facility	-	1,832,733	-	-
Euribor + 3.0% p.a. Senior Term Facility	1,844,728	-	-	-
	4,644,728	4,932,733	2,800,000	3,100,000

The movement in the borrowings is as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	4,932,733	5,143,286	3,100,000	3,100,000
Interest accrual	54,237	60,894	-	-
Drawdown of principal	1,000,000	-	1,000,000	-
Repayment of principal	(1,396,600)	(162,600)	(1,300,000)	-
Repayment of interest	(49,128)	(50,316)	-	-
Loan amendment fee	(33,461)	-	-	-
Foreign currency translation	136,947	(58,531)	-	-
At 31 December	4,644,728	4,932,733	2,800,000	3,100,000

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29. BORROWINGS (CONT'D.)

The remaining maturities of the borrowings are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Within 1 year	94,298	1,247,012	-	1,000,000
More than 1 year and less than 2 years	1,752,937	1,906,664	1,500,000	1,500,000
More than 2 years and less than 5 years	2,097,493	1,779,057	600,000	600,000
5 years or more	700,000	-	700,000	-
	4,644,728	4,932,733	2,800,000	3,100,000

(a) Short-Term Revolving Credit Facilities (collectively referred to as the RCF)

The Company has undertook revolving credit facilities (RCF) from several financial institutions with a total amount of RM1,100,000,000 in nominal value.

On 24 August 2020, the Company had drawn down a RCF of RM300,000,000 with interest rate of 2.93% per annum. Subsequently, the Company had paid the RCF on 23 November 2020.

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

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

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

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

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

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

29. BORROWINGS (CONT'D.)

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

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

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

On 28 August 2020, the Company had paid the first tranche of ten (10) years IMTN amounting to RM1,000,000,000.

These notes with total face value of RM2,100,000,000 are unsecured. Details of the notes are as follows:

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

(c) 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 has been accorded with long-term rating of AA2/Stable. Both the Senior Sukuk Programme and the Perpetual Subordinated Sukuk Programme are issued under the Shariah Principle of Musharakah.

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

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29. BORROWINGS (CONT'D.)

(c) Senior Sukuk Programme and Perpetual Subordinated Sukuk Programme (collectively referred to as the Sukuk Musharakah Programmes) (cont'd.)

On 15 December 2014, the Company has completed the issuance of RM1,000,000,000 Perpetual Subordinated Sukuk pursuant to the Perpetual Subordinated Sukuk Programme. The Perpetual Subordinated Sukuk is structured as a Perpetual Sukuk and accounted as equity (as stated in Notes 2.4(ad) and 30).

The dual tranches of Senior Sukuk with total face value of RM500,000,000, which were issued on 6 September 2013 had been repaid on 6 September 2016 and 6 September 2018.

On 6 November 2020, MAHB had completed the issuance of RM700,000,000 Senior Sukuk (Sukuk Musharakah) via a dual tranche offering pursuant to the Senior Sukuk Programme. The Senior Sukuk offering comprises a seven (7) years, RM480,000,000 tranche and a ten (10) years, RM220,000,000 tranche with a periodic distribution rate (per annum, payable semi-annually) of 3.30% and 3.60% respectively.

Details of the Senior Sukuk are as follows:

Coupon rate	Issue size (RM'000)	Issue date	Maturity date
3.30%	480,000	06.11.2020	05.11.2027
3.60%	220,000	06.11.2020	06.11.2030

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).

29. BORROWINGS (CONT'D.)

(c) Senior Sukuk Programme and Perpetual Subordinated Sukuk Programme (collectively referred to as the Sukuk Musharakah Programmes) (cont'd.)

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

(d) Senior Term Facility

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

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

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

ISG is required to fund a minimum Debt Service Reserve Account (DSRA) corresponding to the interest payable in the next interest period amounting to EUR6,585,000, equivalent to RM32,530,000 (2019: EUR6,585,000, equivalent to RM30,225,000).

As of 23 June 2017, ISG has signed an amendment and restatement agreement relating to the facility agreement dated 21 December 2014. With the new agreement, repayment schedule has been revised and there has been extension of facility maturity by two years until end of 2023.

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

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

On 1 December 2020, ISG has signed an amendment and restatement agreement relating to the facility agreement dated on 21 December 2014 (as amended and restated by an amendment and restatement agreement dated on 23 June 2017) for its EUR385,000,000, equivalent to RM1,901,900,000 loan facility. With the new agreement, the repayment schedule has been revised and there has been an extension of the loan facility's maturity by two years until the end of 2025.

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29. BORROWINGS (CONT'D.)

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

In addition, the financial covenants of the Loan Facility have been amended as below:

Historic debt service coverage ratio : Minimum of 1.05:1.00 (waiver of compliance for 31 December 2020, 30 June 2021 and 31 December 2021)

Loan life cover ratio : Minimum of 1.05:1.00 (waiver of compliance for 31 December 2020, 30 June 2021 and 31 December 2021)

The lenders of the loan facility also required ISG to maintain a minimum unencumbered cash balance of EUR105,000,000, equivalent to RM518,700,000 from June 2022 onwards.

These Senior Term Facility with total face value of EUR500,000,000, equivalent to RM2,470,000,000 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 + 3.0% p.a.	373,427	1,844,728	24.12.2014	23,640	28.06.2021
				70,658	24.12.2021
				116,393	24.06.2022
				136,544	24.12.2022
				132,572	24.06.2023
				128,993	24.12.2023
				147,425	24.06.2024
				143,300	24.12.2024
				160,488	24.06.2025
				784,715	24.12.2025
				1,844,728	

Other information on financial risks of borrowings are disclosed in Note 38.

30. PERPETUAL SUKUK

	Group and Company	
	2020	2019
	RM'000	RM'000
Nominal value	997,842	997,842

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

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 2020, a periodic distribution for Perpetual Sukuk was paid amounting to RM57,500,000 (2019: RM57,342,000);

(c) Deferred periodic distribution, if any, will be cumulative and accrued at the prevailing periodic distribution rate. MAHB, at its discretion, has the option to defer the periodic distribution in perpetuity;

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

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

 i) Option of issuer – at the option of MAHB on each Call Date;
 ii) Tax reasons – if MAHB is obliged to pay additional amount due to change in tax laws or regulations in Malaysia;
 iii) Rating Event – if there is change in equity credit criteria, guidelines or methodology of rating agency which results in lower equity credit of the Perpetual Sukuk;
 iv) Accounting reasons – if there is change in accounting standards which results in the Perpetual Sukuk no longer be classified as equity;
 v) Tax deductibility – if there is change in tax laws or regulations in Malaysia which results in the periodic distribution amount no longer eligible for full tax deductibility under corporate income tax;
 vi) Minimal outstanding amount – if the outstanding Perpetual Sukuk is less than 10% of the nominal value originally issued;
 vii) Change of control – if the GoM ceases 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.

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30. PERPETUAL SUKUK (CONT'D.)

The salient features of the Perpetual Sukuk are as follows: (cont'd.)

(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.

31. 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 regard 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.

Amendment of Interest Rate Swap Contract-II which covers 50% of outstanding loan amount has also been completed by rescheduling cash flow structure of swap in line with the loan and four period zero floor protection has been set as of 8 December 2020. The details are provided below:

Due date of transaction

	IRS Swap Contract - I		IRS Swap Contract - II	
	Notional amounts (RM'000)	Fixed Euribor (%)	Notional amounts (RM'000)	Fixed Euribor (%)
28 June 2021	370,500	1.3025	889,200	0.9400
24 December 2021	197,600	1.3025	802,750	0.9400
24 June 2022	-	-	926,250	0.9400
26 December 2022	-	-	876,850	0.9400
24 June 2023	-	-	815,100	0.9400
24 December 2023	-	-	753,350	0.9400
24 June 2024	-	-	691,600	0.9400
24 December 2024	-	-	617,500	0.9400
24 June 2025	-	-	543,400	0.9400
24 December 2025	-	-	456,950	0.9400

31. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

As of 31 December 2020, fair value of the above mentioned contracts are EUR9,952,000, equivalent to RM49,166,000 (2019: EUR10,906,000, equivalent to RM50,059,000). Fair value of cash outflows with respect to the derivative that fall within one year from the financial position date, amounting to EUR2,631,000, equivalent to RM13,000,000 (2019: EUR3,529,000, equivalent to RM16,198,000) is classified under current liabilities whereas the remaining amount of EUR7,321,000, equivalent to RM36,166,000 (2019: EUR7,377,000, equivalent to RM33,861,000) is classified under non-current liabilities.

For IRS Swap Contract-I the hedge relationship was effective until 30 June 2016. The effective portion arising from the hedge has been kept under equity until 30 June 2016 and started to be amortized thereafter by using the amortisation pattern based on present value distribution of hedged item as of 30 June 2016.

The unrealised (gain)/loss on interest rate swaps that is recognised in the consolidated statement of comprehensive income as at 31 December 2020 is as follows:

	Group	
	2020 RM'000	2019 RM'000
Recognised in other comprehensive income	18,190	(6,871)
Recognised in profit or loss (Note 6)	(29,198)	(2,073)
Foreign currency translation	693	(126)
	(10,315)	(9,070)

32. LEASE LIABILITIES

	Airport equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group				
At 1 January 2020	119,135	268	13,433	132,836
Addition	3,144	140	2,956	6,240
Remeasurement	(14,834)	-	(334)	(15,168)
Accretion of interest (Note 6)	5,248	17	464	5,729
Payment	(28,164)	(146)	(10,618)	(38,928)
Foreign currency translation	3,467	-	-	3,467
Gain on modification	-	-	(316)	(316)
At 31 December 2020	87,996	279	5,585	93,860
Analysed as:				
Current	27,460	108	3,786	31,354
Non-current	60,536	171	1,799	62,506

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32. LEASE LIABILITIES (CONT'D.)

	Airport equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group				
At 1 January 2019	142,971	365	15,710	159,046
Addition	-	-	7,112	7,112
Accretion of interest (Note 6)	9,268	12	485	9,765
Payment	(32,702)	(109)	(9,874)	(42,685)
Foreign currency translation	(402)	-	-	(402)
At 31 December 2019	119,135	268	13,433	132,836
Analysed as:				
Current	27,434	95	9,721	37,250
Non-current	91,701	173	3,712	95,586

	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Company			
At 1 January 2020	91	503	594
Addition	-	386	386
Remeasurement	-	(17)	(17)
Accretion of interest (Note 6)	4	19	23
Payment	(28)	(553)	(581)
At 31 December 2020	67	338	405
Analysed as:			
Current	21	254	275
Non-current	46	84	130
At 1 January 2019	116	719	835
Addition	-	304	304
Accretion of interest (Note 6)	5	24	29
Payment	(30)	(544)	(574)
At 31 December 2019	91	503	594
Analysed as:			
Current	25	369	394
Non-current	66	134	200

32. LEASE LIABILITIES (CONT'D.)

The following are the amounts recognised in profit or loss:

	Group	
	2020 RM'000	2019 RM'000
Depreciation expense of right-of-use assets	37,043	35,907
Interest expense on lease liabilities	5,729	9,765
Expenses relating to short-term leases (include cost of sales)	4,401	10,077
Expenses relating to leases of low-value assets	14,460	16,987
Expense relating to variable lease payments not included in the measurement of lease liabilities	3,754	-
	65,387	72,736

	Company	
	2020 RM'000	2019 RM'000
Depreciation expense of right-of-use assets	576	558
Interest expense on lease liabilities	23	29
Expenses relating to short-term leases (include cost of sales)	320	1,586
Expenses relating to leases of low-value assets	2,811	3,763
	3,730	5,936

The Group and the Company had total cash outflows for leases of RM38,928,000 (2019: RM42,685,000) and RM581,000 (2019: RM574,000) respectively.

The discount rates of the lease obligation for the Group and the Company are as follows:

Airport equipment	4.0% - 8.9%
Office equipment	4.0% - 5.0%
Motor vehicles	3.2%

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33. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current				
Trade payables				
Third parties	727,558	329,037	-	-
Utilisation Fee liability (Note 33(e))	-	525,371	-	-
	727,558	854,408	-	-
Other payables				
Amounts due to subsidiaries	-	-	49,020	53,121
Accruals	141,611	211,679	13,114	26,234
Provisions for liabilities	11,802	30,103	1,811	4,285
Sundry payables	292,669	685,633	106,409	122,559
Deferred income (Note 33(c))	18,435	31,306	-	3,016
Distribution to Perpetual Sukuk holder	2,572	2,414	2,572	2,414
Deposits received	111,784	122,107	9,486	10,768
Contract liabilities	1,251	2,775	-	-
Concession liabilities (Note 33(d))	17,293	16,368	-	-
	597,417	1,102,385	182,412	222,397
	1,324,975	1,956,793	182,412	222,397
Non-current				
Trade payables				
Third parties	-	151,450	-	-
Utilisation Fee liability (Note 33(e))	4,794,550	4,070,914	-	-
	4,794,550	4,222,364	-	-
Other payables				
Sundry payables	932	3,234	-	-
Deferred income (Note 33(c))	159,245	214,150	-	-
Contract liabilities	30,039	29,663	-	-
Retirement benefit obligations	10,240	9,871	-	-
Concession liabilities (Note 33(d))	355,235	372,528	-	-
	555,691	629,446	-	-
	5,350,241	4,851,810	-	-

33. TRADE AND OTHER PAYABLES (CONT'D.)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Total trade and other payables (current and non-current)	6,675,216	6,808,603	182,412	222,397
Add: Borrowings (Note 29)	4,644,728	4,932,733	2,800,000	3,100,000
Less: Provisions for liabilities	(11,802)	(30,103)	(1,811)	(4,285)
Deferred income	(177,680)	(245,456)	-	(3,016)
Total financial liabilities carried at amortised cost	11,130,462	11,465,777	2,980,601	3,315,096

Set out below is the movement in the contract liabilities:

	Group	
	2020 RM'000	2019 RM'000
Other payables		
At 1 January	32,438	32,166
Movement	(1,148)	272
At 31 December	31,290	32,438

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 2020			
At 1 January 2020	19,413	10,690	30,103
Additional provision during the year	65	10,859	10,924
Writeback of provision during the year	(9,772)	(14,240)	(24,012)
Utilised during the year	(32)	(5,181)	(5,213)
At 31 December 2020	9,674	2,128	11,802

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33. TRADE AND OTHER PAYABLES (CONT'D.)

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

	Short-term accumulating compensated absences RM'000	Assessment Fees RM'000	Total RM'000
Group (cont'd.)			
At 31 December 2019			
At 1 January 2019	23,073	2,067	25,140
Additional provision during the year	-	13,747	13,747
Writeback of provision during the year	(3,574)	(103)	(3,677)
Utilised during the year	(86)	(5,021)	(5,107)
At 31 December 2019	19,413	10,690	30,103

	Short-term accumulating compensated absences	
	2020 RM'000	2019 RM'000
Company		
At 1 January	4,285	5,335
Writeback of provision during the year	(2,470)	(1,050)
Utilised during the year	(4)	-
At 31 December	1,811	4,285

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

	Retirement benefit obligations	
	2020 RM'000	2019 RM'000
Group		
At 1 January	9,871	7,194
Recognised in the statement of profit or loss	3,403	1,475
Utilised during the year	(1,093)	(1,636)
Actuarial (gain)/loss	(3,035)	3,103
Foreign currency translation	1,094	(265)
At 31 December	10,240	9,871

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

33. TRADE AND OTHER PAYABLES (CONT'D.)

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 (2019: 30 to 90) days.

(b) Amounts due to subsidiaries

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

(c) Deferred income

Deferred income are analysed as follows:

	2020 RM'000	2019 RM'000
Analysed as:		
Current	18,435	31,306
Non-current:		
Later than 1 year but not later than 2 years	14,829	23,942
Later than 2 years but not later than 5 years	34,761	65,681
Later than 5 years	109,655	124,527
	159,245	214,150
	177,680	245,456

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

(d) Concession liabilities

Concession liabilities are in respect of the following:

(i) Lease rental payable to the GoM for all airports managed by the Group; and
(ii) Privatisation of the Development of a Generation Plant at klia2.

Note (ii) above relates to Airport Facility Arrangements (AFA), 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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33. TRADE AND OTHER PAYABLES (CONT'D.)

(d) Concession liabilities (cont'd.)

Concession liabilities are analysed as follows:

	Group			
	Lease rental payable to GoM		Airport Facility Arrangements (AFA)	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Analysed as:				
Current	350	330	16,943	16,038
Non-current:				
Later than 1 year but not later than 2 years	371	350	17,898	16,943
Later than 2 years but not later than 5 years	1,253	1,182	59,984	56,781
Later than 5 years	87,995	88,437	187,734	208,835
	89,619	89,969	265,616	282,559
Total minimum lease payment	89,969	90,299	282,559	298,597

	2020 RM'000	2019 RM'000
Current	17,293	16,368
Non-current	355,235	372,528
Total concession liabilities	372,528	388,896

The AFA obligation is arrived at after discounting the future estimated finance charge of RM104,840,000 (2019: RM120,862,000).

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

Other information on financial risks of other payables are disclosed in Note 38.

33. TRADE AND OTHER PAYABLES (CONT'D.)

(e) Utilisation Fee liability

The Utilisation Fee liability represents the present value of amounts payable to the Administration in accordance with the Implementation Agreement for the operation of the ISGIA for 20 years plus 22 months of extension period, being the first extension period. In the previous year, ISG has obtained second extension period of 2.5 years after the first extension. The Utilisation Fee liability is discounted to present value, at a rate of 8.6% for payments until 2014, and at a rate of 9% for the remaining payments, whereas the payments for first extension period is discounted to present value at a rate of 10.5% and the payments for the second extension period is discounted to present value at a rate of 8.55%.

	2020 RM'000	2019 RM'000
Analysed as:		
Current	-	525,371
Non-current:		
Later than 1 year but not later than 2 years	1,009,222	475,549
Later than 2 years but not later than 5 years	1,394,575	1,309,162
Later than 5 years	2,390,753	2,286,203
	4,794,550	4,070,914
	4,794,550	4,596,285

34. COMMITMENTS

	Not later than 1 year RM'000	Later than 1 year but not later than 5 years RM'000	Total RM'000
Group			
31 December 2020			
(i) Approved and contracted for:			
Capital expenditure	290,709	-	290,709
(ii) Approved but not contracted for:			
Capital expenditure	231,334	-	231,334
(iii) Other investment:			
Investment in MFMA [(a)]	36,750	-	36,750
	558,793	-	558,793

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34. COMMITMENTS (CONT'D.)

	Not later than 1 year RM'000	Later than 1 year but not later than 5 years RM'000	Total RM'000
Group (cont'd.)			
31 December 2019			
(i) Approved and contracted for:			
Capital expenditure	326,320	-	326,320
(ii) Approved but not contracted for:			
Capital expenditure	1,744,045	-	1,744,045
(iii) Other investment:			
Investment in MFMA [(a)]	45,000	-	45,000
	2,115,365	-	2,115,365
Company			
31 December 2020			
(i) Approved and contracted for:			
Capital expenditure	3,120	-	3,120
(ii) Approved but not contracted for:			
Capital expenditure	1,837	-	1,837
	4,957	-	4,957
31 December 2019			
(i) Approved and contracted for:			
Capital expenditure	7,553	-	7,553
(ii) Approved but not contracted for:			
Capital expenditure	110,085	-	110,085
	117,638	-	117,638

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Analysed as:				
Not later than 1 year	558,793	2,115,365	4,957	117,638

34. COMMITMENTS (CONT'D.)

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

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

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

On 17 November 2014, MFMA has drawdown USD43,600,000, equivalent to RM145,428,000, out of the total loan facility of USD60,000,000, equivalent to RM257,400,000. On 15 September 2017, MFMA has further drawdown USD2,340,000, equivalent to RM9,840,000. On 16 November 2017, the loan has been extended for an additional six months to 14 May 2018. On 14 May 2018, the loan has been refinanced into a MYR denominated loan. The loan has been refinanced with 3-year fixed rate term loan of RM130,000,000, with an extension option of one year (3+1). Total outstanding loan as at 31 December 2020 is RM122,500,000 (total repayment of RM7,500,000 in August 2020 and November 2020). The commitments by MAHB are in respect of the Facility B which amounted to RM36,750,000 (2019: RM45,000,000).

35. FINANCIAL GUARANTEES AND CONTINGENCIES

(a) Guarantees

(i) ISG has given five (2019: five) letters of guarantee to the Administration (representing 6% of the total amount payable to the Administration for the right to operate the Facility as set out in the Implementation Agreement) as follows:

	2020		2019	
	EUR'000	RM'000	EUR'000	RM'000
Guarantee Letter 1	60,829	300,495	67,716	310,816
Guarantee Letter 2	13,009	64,264	13,009	59,711
Guarantee Letter 3	1,629	8,047	1,629	7,477
Guarantee Letter 4	20,118	99,383	20,118	92,342
Guarantee Letter 5	315	1,556	315	1,446

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35. FINANCIAL GUARANTEES AND CONTINGENCIES (CONT'D.)

(a) Guarantees (cont'd.)

(ii) ISG has given 17 letters of guarantee to Tax Authority in Turkey for Value Added Tax (VAT) refund amounting to EUR1,361,000, equivalent to RM6,723,000 (2019: EUR1,198,000, equivalent to RM5,499,000).

(iii) As of 31 December 2020, SGC (formerly known as LGM) has given a letter of guarantee to Havaalani Isletme ve Havacilik Endustrileri A.S. (HEAS) amounting to EUR407,000, equivalent to RM2,011,000 (2019: EUR447,000, equivalent to RM2,052,000) for the rental of the hangar operations.

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

(a) Performance Bank Guarantee totalling to QAR41,250,000, equivalent to RM45,561,000 (2019: QAR35,361,000, equivalent to RM39,604,000).

(b) 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 2020.

(b) Contingent liabilities

(i) Tax Authorities of Turkey has requested ISG to revise the Value Added Tax (VAT) refund requests and apply a different methodology for the periods from 1 July 2012 to 30 September 2014. ISG has submitted the revised refund request and filed the court case contesting the claim arising out of the revised refund request as the management of ISG is of the opinion that the initial refund request for the said period is valid. The Court decided that the tax office cannot reject ISG's calculation without conducting a tax investigation therefore the litigations are concluded in favour of ISG and ISG collected the missing VAT refund amounts. The tax office took a further action at Supreme Court level and in the meantime carried out comprehensive VAT audits for ISG in year 2016 and 2017 covering periods from 2012 to 2014.

The tax auditors claimed a principal of TL7,100,000, equivalent to EUR741,000 or RM3,661,000, late payment interest of TL5,500,000, equivalent to EUR574,000 or RM2,836,000 and tax penalties of TL10,700,000, equivalent to EUR1,117,000 or RM5,518,000 for that tax issue mentioned above. ISG has booked a provision of late payment interest TL5,500,000, equivalent to EUR574,000 or RM2,836,000 in statement of profit or loss for the year 2017.

ISG applied to the Tax Authority for settlement of the tax penalty. However, the Tax Authority postponed the ISG's settlement date and informed ISG to wait for the Tax Amnesty Law which was enacted and published in the Official Gazette on 18 May 2018.

35. FINANCIAL GUARANTEES AND CONTINGENCIES (CONT'D.)

(b) Contingent liabilities (cont'd.)

(i) (cont'd.)

ISG applied for Tax Amnesty on 26 July 2018 and received the confirmation for the application from Tax Authority on 9 August 2018. On 17 September 2018, ISG paid TL3,500,000, equivalent to EUR365,000 or RM1,803,000 which is half of the principal amount (TL7,100,000, equivalent to EUR741,000 or RM3,661,000) and increased VAT receivables carried forward and paid an additional TL99,700, equivalent to EUR10,000 or RM49,000 for the late payment interest. The tax penalty has been waived by the Tax Authority and ISG has reversed the provision amounting to EUR1,341,000, equivalent to RM6,625,000 in 2018.

The Supreme Court rendered a decision of reversal on 13 December 2018 stating that the VAT should not be refunded in accordance with the related regulations. Subsequently, ISG appealed to the Supreme Court with the request of revision of the reversed judgement based on a ruling of Constitutional Court dated 27 February 2019. The final decision from the Supreme Court is still pending. If the Supreme Court's ruling will be against ISG, ISG may have to pay the original tax base amount together with interest although benefited from the Tax Amnesty. If such a case occurs in the future ISG may have to pay the original tax amount of TL7,100,000, equivalent to EUR741,000 or RM3,661,000 plus interest and apply for the deduction of the TL3,600,000, equivalent to EUR376,000 or RM1,857,000 tax amnesty payment from the total payable amount.

The TL7,100,000, equivalent to EUR741,000 or RM3,661,000 tax base amount will be added to the VAT receivables in the statement of financial position that will be carried forward and recovered in the following years.

In addition to that, on 23 December 2016, a Special Consumption Tax (SCT) audit has been started for the periods 2011, 2012, 2013 against ISG about jet fuel sales. ISG is not a SCT payer since jet fuel is exempted from SCT. ISG has experienced cases of jet fuel theft in 2012 and was challenged by the tax authorities that stolen jet fuel shall be regarded as a SCT base fuel. As a result of that, Special Consumption Tax exposure inclusive of tax base charge, late payment interest charges and tax penalties amount to TL700,000, equivalent to EUR73,000 or RM361,000 has been booked as a provision in the ISG's accounts in statement of profit or loss for the year 2017. ISG applied to tax court on 9 January 2018 and won the court case on June 2018 therefore the provision was reversed in the current year financial statements. Tax Office has appealed to the next level court however it is also rejected by the court on January 2019. Tax Office appealed to the Supreme Court on 28 January 2019 and the process is still ongoing.

(ii) On 20 August 2015, Malaysia Airports (Properties) Sdn. Bhd. (MAP) received a Notice of Arbitration from Kuala Lumpur Aviation Fuelling System Sdn. Bhd. (KAF) in respect of the alleged losses and damages in the sum of RM28,277,000 pertaining to among others, design changes under AFA dated 26 September 2007. Both parties have appointed an arbitrator. The hearing session for the arbitration has been conducted from 2 to 6 October 2017 and the parties had filed their respective closing submission by 8 December 2017. The oral hearing of parties' submission was conducted on 22 January 2018.

On 25 September 2018, MAP had received the award from the Arbitral Tribunal which is in favour of KAF. The award is only in respect of liability and the quantum will be decided by the Arbitral Tribunal in a separate proceeding at a later stage, subject to KAF providing further documents to substantiate the amount claimed. Accordingly RM21,657,000 has been recognised as a provision, subject to final Arbitral Tribunal decision.

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35. FINANCIAL GUARANTEES AND CONTINGENCIES (CONT'D.)

(b) Contingent liabilities (cont'd.)

(ii) (cont'd.)
On 5 December 2019, KAF had submitted further documents to substantiate the amount claimed. On 24 February 2020, a discussion was held with KAF to clarify the documents and KAF is to provide the document as requested during the discussion.

On 7 August 2020, a discussion was held with KAF to go through the documents submitted. Based on the discussion, MAHB Technical required further documents to assess the claim. It was agreed that both Technical teams would convene another discussion to enable MAHB Technical team to clarify on the required documents. Currently, MAP is reviewing the documents submitted by KAF.

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

However, KAF refused to withdraw the arbitration notice and grants MAP an extension until 30 May 2017 to facilitate further negotiations on the matter. MAP had requested from KAF for further extension to 30 December 2017.

On 9 August 2017, KAF agreed to withhold the arbitration proceedings until 30 June 2018 pending the negotiations between MAHB and the Government of Malaysia (GoM). MAP has sent a letter to request for an extension of time to KAF to withhold proceedings until 31 December 2019. KAF has agreed with MAP's request to withhold the commencement of the arbitration proceeding against MAP until 31 December 2019 to facilitate the negotiation on the Operating Agreements between MAHB and GoM.

MAP via a letter dated 27 December 2019, requested for a further extension till end of June 2020 to facilitate the negotiation on the Operating Agreements between MAHB and GoM. KAF has agreed with MAP's request.

MAP via a letter dated 16 June 2020, requested for a further extension till end of December 2020 to facilitate the negotiation on the Operating Agreements between MAHB and GoM. KAF has agreed with MAP's request.

Subsequently, MAP via a letter dated 15 February 2021, requested for a further extension till end of July 2021 to facilitate the negotiation on the Operating Agreements between MAHB and GoM. KAF via a letter dated 17 February 2021, has agreed with MAP's request.

35. FINANCIAL GUARANTEES AND CONTINGENCIES (CONT'D.)

(b) Contingent liabilities (cont'd.)

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

MAHB has filed an application for stay of proceedings in light of the arbitration provisions in the contract and on 23 August 2017, the court had allowed MAHB's 'Stay Application' with cost of RM10,000 to be paid by SPASB to MAHB.

On 21 September 2017, SPASB filed its Notice of Appeal in respect of the court's decision on the 'Stay Application'. The Court of Appeal however had allowed SPASB's appeal with costs on 30 March 2018.

In furtherance to the Court of Appeal's decision, MAHB had filed the 'Application for Leave to Appeal' (Application) at the Federal Court on 27 April 2018. Such Application nonetheless was dismissed by the Federal Court on 1 August 2018 and therefore SPASB's claim against MAHB shall be heard in the High Court instead of arbitration.

On 9 August 2018, SPASB had filed its Amended Statement of Claim (Amended SOC). In the Amended SOC, SPASB had raised its claim to RM59,853,000. MAHB had later filed its Statement of Defence on 21 September 2018 and SPASB filed its reply to MAHB's Statement of Defence on 10 October 2018.

During the Case Management on 8 July 2019, the Court maintained the previously arranged trial dates on 11 to 15 November 2019. The court further directed both parties to exchange witness statements.

On 12 July 2019, SPASB had increased its amount of claim from RM59,853,000 to RM66,834,000. Subsequently, on 31 July 2019 MAHB has filed its Amended Statement of Defence and Counterclaim. The amount claimed is not expected to have any material impact on the financial statements of the Group since it is subject to strict proof at the full trial. The next Case Management was set on 6 July 2020. In light of the Conditional Movement Control Order (CMCO), the trial dates set on 22 October 2020 and 23 October 2020 was postponed to 24 February and 25 February 2021.

Subsequently, the court had fixed the next trial dates on 15 April to 16 April 2021, 26 April to 28 April 2021 and 19 May to 20 May 2021.

(v) On 21 March 2019, MA (Sepang) has received notice of Arbitration from SASB for the alleged losses and damages pertaining to the delay in commencement of operations of klia2 Integrated Complex. This notice is amounting to RM70,000,000 in respect of the alleged losses and damages pertaining to inter alia, the delay in the commencement of the commercial operation of the klia2 Integrated Complex.

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35. FINANCIAL GUARANTEES AND CONTINGENCIES (CONT'D.)

(b) Contingent liabilities (cont'd.)

(v) (cont'd.)

Hearing dates of 17 to 20, 23 to 27 and 30 November 2020 have been vacated pursuant to the direction from the Tribunal during the virtual pre-hearing held on 3 November 2020. Tribunal will fix new dates for hearing and the hearing is estimated to be held in the second quarter of 2021. The solicitors and internal legal department are of the view that MA (Sepang) has a fair prospect of success in defending the amount claimed.

36. 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	
	2020 RM'000	2019 RM'000
Related party balances		
Amounts owing by associated companies	727	881
Amounts owing to joint ventures	33,124	6,448
Related party transactions		
Revenue:		
Associates:		
Lease rental		
- Kuala Lumpur Aviation Fuelling System Sdn. Bhd.	6,303	6,219
- MFMA Development Sdn. Bhd.	4,150	4,150
- Cainiao KLIA Aeropolis Sdn. Bhd.	2,328	2,322
Concession fee		
- MFMA Development Sdn. Bhd.	568	568
Recoupment of water, electricity & sewerage		
- MFMA Development Sdn. Bhd.	6,374	10,037
- Cainiao KLIA Aeropolis Sdn. Bhd.	436	-
Joint ventures:		
Lease rental		
- Segi Astana Sdn. Bhd.	1,273	1,273
- Airport Cooling Energy Supply Sdn. Bhd.	888	888

36. RELATED PARTY DISCLOSURES (CONT'D.)

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: (cont'd.)

	Group	
	2020 RM'000	2019 RM'000
Related party transactions (cont'd.)		
Expenses:		
Joint ventures:		
Airport Cooling Energy Supply Sdn. Bhd.		
- Utilities (fixed)	32,124	32,124
- Utilities (variable)	9,995	14,070
- Less: Rebate	(4,070)	(3,397)
- Interest on concession payable	21,361	21,361
Other transactions:		
Joint ventures:		
Airport Cooling Energy Supply Sdn. Bhd.		
- Payment on concession payable	10,699	10,699
Other related party:		
Rakan Riang Sdn. Bhd.		
- License fees	200	-

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36. RELATED PARTY DISCLOSURES (CONT'D.)

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: (cont'd.)

	Company	
	2020	2019
	RM'000	RM'000
Subsidiaries:		
Malaysia Airports (Sepang) Sdn. Bhd.		
- Utilities charges	1,820	2,862
MAB Agriculture-Horticulture Sdn. Bhd.		
- Landscape services	365	403
Malaysia Airports (Niaga) Sdn. Bhd.		
- Catering services	509	1,299
K.L. Airport Hotel Sdn. Bhd.		
- Event management	1,371	4,143
Urusan Teknologi Wawasan Sdn. Bhd.		
- Repair and maintenance of building	245	1,740
Malaysia Airports Consultancy Services Sdn. Bhd.		
- Consultancy service from subsidiary	-	7

Compensation of key management personnel

Key management personnel is defined to include Group Chief Executive Officer, Group Chief Operating Officer, Group Chief Financial Officer, Senior General Managers and General Managers.

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	24,309	22,374	21,312	18,305
Post-employment benefits:				
Defined contribution plans	3,157	3,276	2,659	2,762
Benefits-in-kind	442	578	345	478
	27,908	26,228	24,316	21,545

Remuneration of directors is as disclosed in Note 8.

37. SIGNIFICANT EVENTS DURING THE YEAR

i) The COVID-19 pandemic and the actions adopted by governments worldwide to mitigate the pandemic's spread have significantly impacted the global aviation industry. These actions, which includes border closures and travel restrictions, has resulted in an unprecedented decline in passenger and air traffic performance for airports globally, including those operated by the Group.

The Group has incurred a loss, net of tax of RM1,116,196,000 (2019: profit, net of tax of RM537,042,000) for the financial year ended 31 December 2020. Notwithstanding the loss registered, as of that date, equity attributable to Owners of the Company stood at RM8,099,345,000 whilst the Group's current assets exceeded current liabilities by RM944,719,000. The Group has undrawn borrowing facilities of RM2,900,000,000, cash and cash equivalents of RM973,657,000 and quoted unit trust and bond investments of RM743,366,000 providing the Group the liquidity in meeting its near-term cash needs.

In response to the adverse impact of COVID-19, the Group implemented the following measures to strengthen its financial position and manage liquidity risk:

(a) Operational expenses containment and cash conservation

The Group had taken immediate and pre-emptive measures on implementing an aggressive cost optimisation plan. These measures include recalibrating operational efficiencies, rebasing cost and prioritising capital expenditure to conserve cash reserves. For the financial year ended 31 December 2020, total expenditure after excluding provision for doubtful debts and variable costs linked to revenue (such as cost of inventories sold, revenue share and user fees) had contracted by 26% or RM575,500,000. The Group had also prioritised its capital expenditure program, leading to an expenditure of RM189,747,000 (2019: RM489,886,000) on critical projects for the year.

(b) Addressing liquidity risk

As at 1 January 2020, the Group's cash and cash equivalents of RM1,453,136,000 and quoted unit trust and bond investments of RM1,777,714,000, meant that the Group entered into the COVID-19 pandemic on a strong liquidity position. The Group has since undertaken several stress tests on its liquidity position and as precautionary measure, secured additional revolving credit facilities (RCF) of RM1,100,000,000 as contingency lines. As at 31 December 2020, the Group also had RM1,800,000,000 in unutilised Sukuk facilities under its two (2) existing Sukuk Programmes.

During the year, the Group had:

- redeemed the ten (10) years Islamic Medium Term Notes Programme tranche of RM1,000,000,000 matured on 28 August 2020 with a periodic distribution rate (per annum, payable semi-annually) of 4.55%;
- completed the issuance of RM700,000,000 Senior Sukuk on 6 November 2020 via a dual tranche offering pursuant to the Senior Sukuk Programme. The Senior Sukuk offering comprises: (i) a seven (7) years, RM480,000,000 tranche and (ii) a ten (10) years, RM220,000,000 tranche with a periodic distribution rate (per annum, payable semi-annually) of 3.30% and 3.60% respectively; and

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37. SIGNIFICANT EVENTS DURING THE YEAR (CONT'D.)

i) (b) Addressing liquidity risk (cont'd.)

During the year, the Group had: (cont'd.)

- successfully rescheduled its EUR385,000,000 loan commitment on 1 December 2020, with extension of the loan tenure by two years to financial year 2025, revision of repayment schedules and relaxation of certain key financial covenants. ISG has been granted the principal repayment moratorium of EUR25,000,000 in December 2020 and EUR35,000,000 in June 2021. The revised semi-annual principal repayment will commence between 24 December 2021 and 24 December 2025.

With the completion of the above exercises, the Group's current borrowings reduced to RM94,298,000 (2019: RM1,247,012,000).

(c) Cash recovery

The Group proactively initiated a cash recovery plan on trade and other receivables outstanding, working closely with the Government of Malaysia (GoM), airlines and commercial tenants. For the financial year ended 31 December 2020, the Group had collected over RM1,400,000,000 cash through various efforts including the cash recovery initiatives.

(d) Divestment strategy

The Group aims to divest its non-strategic assets upon achieving the desired price consideration.

The financial statements have been prepared on a going concern basis, which assumes that the Group and the Company will be able to meet its liabilities as and when they fall due. No adjustments have been made to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate.

The Board and management of the Company diligently monitors ongoing developments throughout the current pandemic and enhance the implementation of the above measures where possible. The ongoing initiatives on (a) operational expenses containment and cash conservation, (b) addressing liquidity risk, (c) cash recovery and (d) divestment strategy is expected to further strengthen the financial position of the Group and Company.

ii) On 4 October 2019, AirAsia Berhad and AirAsia X Berhad (AAX) had served a Writ of Summons on MA (Sepang) claiming special damages amounting to RM479,781,000 for loss and damage occasioned by reason of the negligence on the part of MA (Sepang), its servants or agents in the management, operation, maintenance or provision of airport services and facilities at klia2.

MA (Sepang) has filed an application to strike out the Writ of Summons. The case was fixed for a decision on the striking out application on 2 October 2020. However, the said decision date was vacated and new case management was set on 18 December 2020.

37. SIGNIFICANT EVENTS DURING THE YEAR (CONT'D.)

ii) (cont'd.)
On 10 December 2020, AirAsia Group had filed an application to expunge MA (Sepang)'s supplementary affidavit dated 13 November 2020. The decision on AirAsia's expungement application is fixed on 12 March 2021. The decision on MA (Sepang)'s application to strike out the RM479,781,000 suit is fixed on 30 March 2021.

iii) On 22 October 2020, MA (Sepang) had filed a Writ of Summons and Statement of Claim at the Kuala Lumpur High Court (the Civil Suit) against AAX claiming the sum of RM78,163,000 for the outstanding amount for various aeronautical charges pursuant to the Malaysian Aviation Commission (Aviation Services Charges) Regulations 2016 and/or the Condition of Use for Kuala Lumpur International Airport. The outstanding aeronautical charges are comprised of passenger service charges (PSC), passenger service security charges, aerobridge charges, aircraft parking charges, check-in counter charges, landing charges and late payment charges.

MA (Sepang) had on 11 November 2020, filed a summary judgement application in respect of the outstanding PSC only, which amounts to approximately RM62,900,000.

On 17 December 2020, AAX had filed an application to stay the proceedings of this civil suit pending the outcome of the PSC Appeals which will be heard before the Court of Appeal on 24 March 2021 and AAX's proposed debt restructuring scheme. The next case management is fixed on 1 March 2021.

The Civil Suit is not expected to have any material impact on the operational position of MA (Sepang).

iv) On 7 October 2020, AAX had filed an Originating Summons at the Kuala Lumpur High Court for leave to convene a meeting with its unsecured creditors for purposes of considering its proposed debt restructuring scheme. In this application, AAX had named MA (Sepang) as one of its unsecured creditors.

On 23 October 2020, MA (Sepang) had filed an application to intervene and be excluded from AAX's proposed debt restructuring scheme (the Intervention Application).

The Intervention Application seeks to exclude MA (Sepang) from this proposed debt restructuring scheme on the basis that, pursuant to the express terms of the Conditions of Use for Kuala Lumpur International Airport ('the Conditions of Use'), MA (Sepang) is a secured creditor of AAX. In particular, MA (Sepang) is a lienholder whose debt is secured by a contractual lien over the User Properties of AAX.

On 4 November 2020, AAX filed an amendment application to the Scheme. On 1 December 2020, the Court allowed AAX's amendment application with costs to be borne by AAX.

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37. SIGNIFICANT EVENTS DURING THE YEAR (CONT'D.)

iv) (cont'd.)
On 22 December 2020, AAX had served on MA (Sepang) the Notice of Application for a restraining order pursuant to Section 368 of the Companies Act, 2016.

On 19 February 2021, the Court granted the leave for AAX to convene a creditors' meeting with changes to the classification of creditors. MA (Sepang) remains as secured creditors under the Scheme. The Court also granted an ad interim restraining order to all parties except to MA (Sepang) and BOC Aviation. The interim restraining order is valid until 17 March 2021 i.e. the hearing date of the restraining order.

38. 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.

38. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Interest rate risk (cont'd.)

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 2020							
Group							
Borrowings	29	3.87	94,298	1,752,937	2,097,493	700,000	4,644,728
Cash and cash equivalents	25	0.78	613,201	-	-	-	613,201
Company							
Borrowings	29	4.25	-	1,500,000	600,000	700,000	2,800,000
Cash and cash equivalents	25	1.40	13,954	-	-	-	13,954
At 31 December 2019							
Group							
Borrowings	29	3.68	1,247,012	1,906,664	1,779,057	-	4,932,733
Cash and cash equivalents	25	0.45	1,166,575	-	-	-	1,166,575
Company							
Borrowings	29	4.53	1,000,000	1,500,000	600,000	-	3,100,000
Cash and cash equivalents	25	2.80	13,609	-	-	-	13,609

The average maturity of financial instruments at the reporting date is 20 days (2019: 48 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.

NOTES TO THE FINANCIAL STATEMENTS
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38. FINANCIAL INSTRUMENTS (CONT'D.)

(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, Qatari Riyal, Australian Dollar, Canadian Dollar and Danish Krone. 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			
	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
USD	(7,323)	26,816	204	4,816
GBP	(5)	3,392	6,167	3,748
EUR	(253)	1,382	12,275	1,577
SGD	30	4,222	(47)	693
CHF	(243)	314	-	-
RMB	58	-	-	-
HKD	-	46	-	46
QAR	17,724	18,364	-	-
AUD	(24)	461	(24)	-
CAD	(90)	211	-	89
DKK	-	-	22	-
Total	9,874	55,208	18,597	10,969

38. FINANCIAL INSTRUMENTS (CONT'D.)

(c) Foreign currency risk (cont'd.)

Sensitivity analysis for foreign currency risk

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

		Group		Company	
		2020	2019	2020	2019
		Profit net of tax RM'000	Profit net of tax RM'000	Profit net of tax RM'000	Profit net of tax RM'000
USD/RM	- strengthened 5%	(366)	1,340	10	241
	- weakened 5%	366	(1,340)	(10)	(241)
GBP/RM	- strengthened 5%	-	170	308	187
	- weakened 5%	-	(170)	(308)	(187)
EUR/RM	- strengthened 5%	(13)	69	614	79
	- weakened 5%	13	(69)	(614)	(79)
SGD/RM	- strengthened 5%	2	212	(2)	35
	- weakened 5%	(2)	(212)	2	(35)
CHF/RM	- strengthened 5%	(12)	16	-	-
	- weakened 5%	12	(16)	-	-
RMB/RM	- strengthened 5%	3	-	-	-
	- weakened 5%	(3)	-	-	-
HKD/RM	- strengthened 5%	-	2	-	2
	- weakened 5%	-	(2)	-	(2)
QAR/RM	- strengthened 5%	886	918	-	-
	- weakened 5%	(886)	(918)	-	-
AUD/RM	- strengthened 5%	(1)	23	(1)	-
	- weakened 5%	1	(23)	1	-
CAD/RM	- strengthened 5%	(4)	11	-	5
	- weakened 5%	4	(11)	-	(5)
DKK/RM	- strengthened 5%	-	-	1	-
	- weakened 5%	-	-	(1)	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

38. FINANCIAL INSTRUMENTS (CONT'D.)

(d) Liquidity risk

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

Analysis of financial instrument by remaining contractual maturities

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 2020				
Financial liabilities:				
Trade and other payables	1,861,713	3,239,080	2,890,101	7,990,894
Borrowings	213,158	3,583,666	1,271,358	5,068,182
Lease liabilities	35,051	74,811	-	109,862
Total undiscounted financial liabilities	2,109,922	6,897,557	4,161,459	13,168,938
31 December 2019				
Financial liabilities:				
Trade and other payables	1,896,818	3,079,099	3,341,021	8,316,938
Borrowings	1,750,832	3,038,890	-	4,789,722
Lease liabilities	40,285	121,027	-	161,312
Total undiscounted financial liabilities	3,687,935	6,239,016	3,341,021	13,267,972

38. FINANCIAL INSTRUMENTS (CONT'D.)

(d) Liquidity risk (cont'd.)

Analysis of financial instrument by remaining contractual maturities (cont'd.)

Below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date on contractual undiscounted repayment obligations: (cont'd.)

	On demand within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Company				
31 December 2020				
Financial liabilities:				
Other payables	180,601	-	-	180,601
Borrowings	118,860	1,833,235	1,271,358	3,223,453
Lease liabilities	275	110	-	385
Total undiscounted financial liabilities	299,736	1,833,345	1,271,358	3,404,439
31 December 2019				
Financial liabilities:				
Other payables	215,096	-	-	215,096
Borrowings	1,125,142	2,337,171	-	3,462,313
Lease liabilities	62	546	-	608
Total undiscounted financial liabilities	1,340,300	2,337,717	-	3,678,017

(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.

During the year ended 31 December 2020, the Group temporarily extended the credit terms to specific customers with liquidity constraints arising as a direct result of the COVID-19 pandemic. All extensions were granted within current sales limits after careful consideration of the impact of the COVID-19 pandemic on the creditworthiness of the customer and each customer that was granted an extension is closely monitored for credit deterioration.

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

38. FINANCIAL INSTRUMENTS (CONT'D.)

(e) Credit risk (cont'd.)

Exposure to credit risk

Majority of trade receivables are due from airport tenants, airline companies and representative firms. The customer portfolio of the Group is diversified, with Malaysia Airlines, AirAsia Group, Malindo Airways, Hamad International Airport and Pegasus Hava Tasimaciligi A.S., being the main customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. Since the Group trades only with recognised and creditworthy third parties, there are no requirements 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 20. 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 20 and 25.

Credit risk concentration profile

At the reporting date, approximately 65% (2019: 56%) of the Group's trade receivables were due from six (2019: six) major customers who are reputable and located in Malaysia, Turkey and Qatar.

In addition, the Group's concentration of risk also includes the amount receivable from the GoM as disclosed in Note 20 and the Group minimises its credit risk by maintaining regular communication with the GoM.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 20. 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 20.

38. FINANCIAL INSTRUMENTS (CONT'D.)

(f) Fair values

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

	Note
Trade and other receivables	20
Trade and other payables	33

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

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

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

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

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

(ii) Unit trusts, bonds and medium term notes

The fair value of unit trusts, bonds and medium term notes is based on prices quoted by independent data providers and independent brokers.

39. 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 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

39. CAPITAL MANAGEMENT (CONT'D.)

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

		Group	
		2020	2019
	Note	RM'000	RM'000
Borrowings	29	4,644,728	4,932,733
Derivative financial instruments	31	49,166	50,059
Contingent liabilities	35(b)	602,543	605,687
		5,296,437	5,588,479
Equity attributable to Owners of the Company		8,099,345	9,325,376
Gearing ratio		65%	60%

40. SEGMENT INFORMATION

(a) Reporting format

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

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

Malaysia operations:

(i) Duty free and non-dutiable goods

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

40. SEGMENT INFORMATION (CONT'D.)

(a) Reporting format (cont'd.)

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

Malaysia operations: (cont'd.)

(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 hotels, known as Sama-Sama Hotel, Sama-Sama Express K.L. International Airport and Sama-Sama Express klia2.

(v) Project and repair maintenance

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

Overseas operations:

(i) Airport services

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

(ii) Project and repair maintenance

To provide facilities maintenance services at Hamad International Airport.

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

(b) Allocation basis and transfer pricing

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

40. SEGMENT INFORMATION (CONT'D.)

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

	Continuing operations										
	Malaysia Operations						Overseas Operations				
	Airport operations		Non-airport operations				Airport operations	Non-airport operations			
	Duty free and non-dutiable goods	Airport services	Agriculture and horticulture	Hotel	Project and repair maintenance	Others	Airport services	Project and repair maintenance	Consolidation adjustments	Notes	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000
31 December 2020											
Revenue											
External sales											
Airport operations:											
Aeronautical	-	518,937	-	-	-	-	367,303	-	-		886,240
Non-aeronautical:											
Retail	153,222	-	-	-	-	-	-	-	-		153,222
Others	1,489	464,646	-	-	-	-	176,846	-	-		642,981
Non-airport operations	-	-	34,703	42,269	18,605	-	5,572	82,753	-		183,902
Inter-segment sales	654	117,604	7,738	1,476	110,406	9,152	91,011	-	(338,041)	A	-
Total revenue	155,365	1,101,187	42,441	43,745	129,011	9,152	640,732	82,753	(338,041)		1,866,345
Results											
Segment results	(89,235)	(247,461)	10,322	2,821	35,329	199,496	357,224	5,020	(251,899)	B	21,617
Depreciation and amortisation	(12,853)	(268,471)	(4,883)	(14,298)	(1,715)	(18,676)	(204,973)	(4,030)	(79,852)	C	(609,751)
Impairment on intangible assets	-	-	-	-	-	-	-	-	(500,380)		(500,380)
Finance costs	(2,061)	(206,489)	(12)	(1,064)	(62)	(131,133)	(478,993)	-	156,043	D	(663,771)
Share of results of associates	-	(13,725)	-	-	-	(2,263)	-	-	-		(15,988)
Share of results of joint ventures	-	-	-	-	-	4,412	-	-	-		4,412
(Loss)/profit before tax	(104,149)	(736,146)	5,427	(12,541)	33,552	51,836	(326,742)	990	(676,088)		(1,763,861)
Taxation and zakat	20,028	510,689	(224)	5,884	(7,228)	(2,539)	(3,544)	(503)	125,102	C	647,665
(Loss)/profit for the year	(84,121)	(225,457)	5,203	(6,657)	26,324	49,297	(330,286)	487	(550,986)		(1,116,196)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

40. SEGMENT INFORMATION (CONT'D.)

	Continuing operations										
	Malaysia Operations						Overseas Operations				
	Airport operations		Non-airport operations				Airport operations	Non-airport operations			
	Duty free and non-dutiable goods	Airport services	Agriculture and horticulture	Hotel	Project and repair maintenance	Others	Airport services	Project and repair maintenance	Consolidation adjustments	Notes	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000
31 December 2020 (cont'd.)											
Assets											
Segment assets	204,095	9,896,928	106,886	151,711	190,364	11,595,990	5,784,913	61,083	(8,230,487)	E	19,761,483
Additions to non-current assets	1,320	260,365	1,343	4,836	3,100	11,772	43,665	3,643	(27,768)		302,276
Investments in associates	-	52,310	-	-	-	58,679	-	-	-		110,989
Investments in joint ventures	-	-	-	-	-	104,167	-	-	-		104,167
Total assets	205,415	10,209,603	108,229	156,547	193,464	11,770,608	5,828,578	64,726	(8,258,255)		20,278,915
Liabilities											
Segment liabilities, representing total liabilities	133,800	5,634,642	25,062	44,464	40,604	5,200,192	7,196,167	58,856	(6,154,217)	F	12,179,570
31 December 2019											
Revenue											
External sales											
Airport operations:											
Aeronautical	-	1,993,486	-	-	-	-	771,165	-	-		2,764,651
Non-aeronautical:											
Retail	850,224	-	-	-	-	-	-	-	-		850,224
Others	2,696	797,878	-	-	-	-	510,730	-	-		1,311,304
Non-airport operations	-	-	26,932	88,577	15,158	-	9,675	146,586	-		286,928
Inter-segment sales	1,547	284,525	6,992	4,734	125,410	-	90,808	-	(514,016)	A	-
Inter-segment dividends	-	-	-	-	-	317,214	-	-	(317,214)	A	-
Total revenue	854,467	3,075,889	33,924	93,311	140,568	317,214	1,382,378	146,586	(831,230)		5,213,107

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

40. SEGMENT INFORMATION (CONT'D.)

	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
31 December 2019 (cont'd.)											
Results											
Segment results	53,166	1,240,117	5,018	32,334	56,350	467,162	955,278	13,660	(531,073)	B	2,292,012
Depreciation and amortisation	(8,452)	(367,677)	(5,086)	(18,272)	(1,145)	(17,776)	(325,126)	(7,757)	(190,287)	C	(941,578)
Finance costs	(171)	(266,133)	(32)	(1,784)	(2,580)	(141,640)	(485,139)	-	171,478	D	(726,001)
Share of results of associates	-	16,217	-	-	-	(923)	-	-	-		15,294
Share of results of joint ventures	-	-	-	-	-	19,424	-	-	-		19,424
Profit/(loss) before tax	44,543	622,524	(100)	12,278	52,625	326,247	145,013	5,903	(549,882)		659,151
Taxation and zakat	(13,174)	(128,305)	(850)	2,113	(7,658)	(66)	(15,769)	(1,388)	42,988	C	(122,109)
Profit/(loss) for the year	31,369	494,219	(950)	14,391	44,967	326,181	129,244	4,515	(506,894)		537,042
Assets											
Segment assets	286,261	10,564,938	97,592	172,213	185,744	12,180,878	6,193,084	78,299	(8,311,060)	E	21,447,949
Additions to non-current assets	5,774	424,080	1,233	1,891	2,202	31,811	28,573	7,957	-		503,521
Investments in associates	-	66,033	-	-	-	60,944	-	-	-		126,977
Investments in joint ventures	-	-	-	-	-	104,210	-	-	-		104,210
Total assets	292,035	11,055,051	98,825	174,104	187,946	12,377,843	6,221,657	86,256	(8,311,060)		22,182,657
Liabilities											
Segment liabilities, representing total liabilities	136,299	6,329,295	20,862	55,363	61,410	5,570,271	7,168,443	81,209	(6,565,871)	F	12,857,281

40. SEGMENT INFORMATION (CONT'D.)

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

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

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

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

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

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

	2020 RM'000	2019 RM'000
Investment in subsidiaries	(2,274,899)	(2,274,899)
Inter-segment assets	(5,983,356)	(6,036,161)
	(8,258,255)	(8,311,060)

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

	2020 RM'000	2019 RM'000
Inter-segment liabilities	(6,154,217)	(6,565,871)

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